# JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, June 18, 2015

Immediately Upon Adjournment of the JLBC Meeting

House Hearing Room 4



STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

JOINT COMMITTEE ON CAPITAL REVIEW Thursday, June 18, 2015 Immediately Upon Adjournment of the JLBC Meeting House Hearing Room 4

# MEETING NOTICE

- Call to Order
- Approval of Minutes of April 1, 2015.
- DIRECTOR'S REPORT (if necessary).
- 1. STATE DEPARTMENT OF CORRECTIONS Review of FY 2016 Building Renewal Allocation Plan.
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION
  - A. Review of FY 2015 Building Renewal Allocation Plan.
  - B. Review of FY 2016 Building Renewal Allocation Plan.
  - C. Review and Consider Approval of Bond Refinancing.
- 3. SCHOOL FACILITIES BOARD Review of Lease-Purchase Refinancing.
- 4. ARIZONA STATE UNIVERSITY Review of Building Renewal and Renovation Projects.
- 5. ARIZONA STATE UNIVERSITY/NORTHERN ARIZONA UNIVERSITY Review of Housing Indirect Financing Projects.
- 6. ARIZONA STATE PARKS BOARD Review of FY 2016 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures.
- 7. ARIZONA EXPOSITION AND STATE FAIR BOARD Review of Cattle Barn Wall Repairs.

8. DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Review of Proposed Expenditures from the Military Installation Fund.

The Chairman reserves the right to set the order of the agenda. 6/11/15 kp

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.



### STATE OF ARIZONA

# Joint Committee on Capital Review

1716 WEST ADAMS PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

# **MINUTES OF THE MEETING**

# JOINT COMMITTEE ON CAPITAL REVIEW

April 1, 2015

The Chairman called the meeting to order at 8:29 a.m., Wednesday, April 1, 2015 in Senate Appropriations, Room 109. The following were present:

Members:	Senator Shooter, Chairman	Representative Olson, Vice-Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Farley	Representative Gray
	Senator Hobbs	Representative Montenegro
	Senator Kavanagh	Representative Sherwood
	Senator Yarbrough	Representative Stevens
Absent:	Senator Griffin	Representative Meyer

### **APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of December 17, 2014, Chairman Don Shooter stated that the minutes would stand approved.

# ADOPTION OF COMMITTEE RULES AND REGULATIONS

Mr. Richard Stavneak, JLBC Staff, stated that the Committee Rules and Regulations remain the same as last session.

<u>Senator Shooter moved</u> that the Committee adopt the JCCR Committee Rules and Regulations. The motion carried.

# DEPARTMENT OF ECONOMIC SECURITY (DES)/DEPARTMENT OF CHILD SAFETY (DCS) - Review of Joint Occupancy Buildings.

Mr. Ben Beutler, JLBC Staff, stated DES/DCS is requesting review of its Joint Occupancy Buildings. The JLBC Staff presented options to the Committee.

Mr. Jim Hillyard, Deputy Director of Operations, DES, responded to member questions.

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B, YARBROUGH

(Continued)

<u>Representative Olson moved</u> that the Committee give a favorable review of the plan for DES to retain ownership of the 7 joint occupancy buildings. The plan included a requirement that DES/DCS amend their intergovernmental facility services agreement to ensure DCS' continued right to use the joint occupancy buildings located at:

- 1. 4635 S. Central, Phoenix
- 2. 220 N. Leroux Street, Flagstaff
- 3. 319-321 E. 3<sup>rd</sup> Street, Winslow
- 4. 605 S. 7<sup>th</sup> Street, Globe
- 5. 1140 F Avenue, Douglas
- 6. 2981 E. Tacoma Street, Sierra Vista
- 7. 480 N. Grand Avenue, Nogales

The favorable review included the following provisions:

- A. DES guarantees DCS its current space in each building, as long as desired. The allocation of space between the departments may be changed by mutual agreement should one agency vacate space and the remaining agency desire the vacated space. If DCS desires to reduce space in one of the locations and DES does not need the additional space, DCS agrees to provide a 6-month notice prior to vacating the space to allow DES to formulate a backfill plan.
- *B.* If one of the 7 joint occupancy buildings is sold, the proceeds of the sale will be divided between DCS and DES in proportion to the then current proportional occupancy.

The motion carried.

# STATE DEPARTMENT OF CORRECTIONS (ADC) - Review of Revised FY 2014 Building Renewal Allocation and Revised FY 2015 Building Renewal Allocation Plans.

Ms. Micaela Larkin, JLBC Staff, stated ADC is requesting review of expenditure plans for building renewal monies prior to expenditure. The Committee favorably reviewed the FY 2014 Building Renewal Plan on August 20, 2013 and the FY 2015 Building Renewal Plan on June 19, 2014, as well as the reallocation of contingency monies within the plans at the December 17, 2014 meeting. The JLBC Staff presented options to the Committee.

Mr. Mike Landry, Engineering and Facilities Administrator, ADC, responded to member questions.

<u>Representative Olson moved</u> that the Committee give a favorable review to revisions of the FY 2014 and FY 2015 Building Renewal Plans. For the FY 2014 plan, \$1,702,500 in savings from perimeter and lock upgrades will be re-allocated to other projects. For the FY 2015 building renewal plan, monies for the conversion from evaporative cooling to air conditioning at APSC - Eyman are to be used at ASPC - Tucson instead. The favorable review includes the following provision:

ADC shall report any change in the spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.

The motion carried.

# ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of FY 2015 Capital Improvement Expenditures.

Mr. Steve Grunig, JLBC Staff, stated the Arizona Exposition and State Fair Board is requesting review of FY 2015 Capital Improvement Expenditures. In June 2014, the Committee gave a favorable review to the Arizona Exposition and State Fair Board's FY 2015 expenditure plan for 9 capital projects from the Arizona Exposition and State Fair Fund totaling \$731,000. One of these projects has been completed for \$100,000 less than the original estimate, leaving \$369,000 currently available from the agency's FY 2015 Capital Outlay Bill appropriation. The JLBC Staff presented options to the Committee.

Ms. Wanell Costello, Executive Director, Arizona Exposition and State Fair, responded to member questions.

<u>Representative Olson moved</u> that the Committee give a favorable review to Arizona Exposition and State Fair's \$285,000 expenditure plan from the Arizona Exposition and State Fair Fund for 4 capital projects.

1.	Home Arts Building Fire Alarm System	\$110,000
2.	Coliseum Emergency Generator	\$ 75,000
3.	Coliseum Boiler	\$ 50,000
4.	Home Arts Evaporative Coolers	\$ 50,000

The motion carried.

# ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2014 Building Renewal Allocation Plan.

Ms. Krista MacGahan, JLBC Staff, stated that Arizona Game and Fish Department is requesting review of expenditure plans for FY 2014 building renewal monies. The JLBC Staff presented options to the Committee.

<u>Representative Olson moved</u> that the Committee give a favorable review to Arizona Game and Fish Department's FY 2014 Building Renewal Allocation Plan for \$297,100 from the Game and Fish Fund as shown below. The FY 2014 Capital Outlay Bill (Laws 2013, 1<sup>st</sup> Special Session, Chapter 8) appropriated a total of \$547,600 from the Game and Fish Fund for building renewal. The bill specified the appropriation in FY 2014 is available through the end of FY 2015.

1.	Tucson Regional Office Remodel	\$166,100
2.	Tonto Creek Fish Hatchery Septic System	35,000
3.	State Headquarters Major Maintenance Fund Deposit	52,200
4.	Preventative Maintenance	<u> </u>
	Total	\$297,100

The motion carried.

# ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of De-Icer Buildings Project.

Mr. Ben Beutler, JLBC Staff, presented ADOT's request for review of \$2.3 million for 5 de-icer buildings. The JLBC Staff presented options to the Committee.

(Continued)

<u>Representative Olson moved</u> that the Committee give a favorable review to the expenditure of \$2,280,000 from the State Highway Fund by ADOT for the construction of 5 de-icer buildings to house chemicals used during winter months. The buildings are to be located at Camp Verde, Fredonia, Kaventa, St. Johns, and Three Way.

The favorable review includes the provision that ADOT shall report any project reallocations above \$100,000 to the Committee.

The motion carried.

# ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2015 **Partial Rent Exemptions.**

Ms. Rebecca Perrera, JLBC Staff, stated A.R.S. § 41-792.01D authorizes the Director of ADOA, on recommendation from the JCCR, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space or if the agency does not have the financial resources to make the payment.

Mr. Paul Shannon, Assistant Director, Budget and Resource Planning, ADOA, responded to member questions.

<u>Representative Olson moved</u> that the Committee recommended a \$20,000 partial rent exemption for the Registrar of Contractors (ROC) to be replaced by a corresponding rent payment from the Governor's Office of Faith and Community Partnerships in FY 2015. The motion carried.

Representative Olson moved, for voting purposes, that the Committee recommended a partial rent exemption for \$66,900 for ADOA and \$13,200 for the Department of Public Safety (DPS) due to the demolition of 2 of their buildings. The motion carried.

Without objection, the meeting adjourned at 9:30 a.m.

Respectfully submitted:

Kristy Paddeck, Secretary

Jack Brown, Principal Riscal Analyst Senator Don Shooter, Chairman

NOTE: A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.



### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 724
FROM:	Micaela Larkin, Fiscal Analyst

SUBJECT: Arizona Department of Corrections - Review of FY 2016 Building Renewal Allocation Plan

# Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated a total of \$5,464,300 from the Department of Corrections Building Renewal Fund to the Arizona Department of Corrections (ADC) for general building renewal. ADC requests the Committee review its FY 2016 Building Renewal Allocation Plan, which primarily funds the replacement of obsolete locking and control systems, structural and electrical repairs, project design and needs assessment, and the replacement of water tanks at Arizona State Prison Complex (ASPC) - Yuma.

# Recommendation

The Committee has at least the following 2 options:

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

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

1. ADC shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation. Prior reviews also included this provision.

(Continued)

# Analysis

A total of \$5,464,300 was appropriated to ADC for building renewal in FY 2016 from the Department of Corrections Building Renewal Fund. Of this amount, ADC proposes to use \$5,174,300 for building renewal, and \$290,000 for project design and a needs survey.

The FY 2016 Building Renewal Allocation Plan consists of the following projects:

Table 1	
FY 2016 Building Renewal Allocation Plan	
Structural Repairs	
Structural Repairs - Florence/Central Unit	\$1,490,000
Ductwork Replacement - Lewis	840,000
Subtotal	\$2,330,000
Subtotur	+=,===,===
Locking & Control Systems	
Locking Systems - Eyman/Special Management Unit	\$1,200,000
Control Panel Replacement - Eyman/Meadows	480,000
Subtotal	\$1,680,000
Environment Device environt	
Equipment Replacement	¢ 050.000
Water Tank Replacement - Yuma	\$ 850,000
Electrical Loop Upgrade - Douglas	314,300
Subtotal	\$1,164,300
Project Design & Needs Assessment	\$ 150.000
Fire Alarm Design - Correctional Officers Training Academy	+
Structural Needs Survey	140,000
Subtotal	\$ 290,000
Building Renewal Subtotal	\$5,464,300
Contingency	<u>\$0</u>
TOTAL	\$5,464,300

# Structural Repairs

A total of \$2,330,000 in the FY 2016 Building Renewal Allocation Plan would be allocated for structural repairs for damage due to the longstanding and widespread use of evaporative coolers. The prolonged exposure to humidity and moisture produced by evaporative cooling has resulted in the deterioration of steel and concrete construction components, as well as equipment. ADC plans to allocate \$2,330,000 for structural repairs at 2 units:

- *Florence Central Unit*: The allocation includes \$1,490,000 for the repair of the structural components in 2 housing units. Structural components include the repair of walls and beams.
- Lewis: The allocation includes \$840,000 for the replacement of 15-year-old ductwork at 4 units that rusted and deteriorated from the evaporative cooling units. The units are among those that still use the evaporative cooling, and ADC does not currently have the funds to convert these units to air conditioning.

# Locking and Control Systems

The Building Renewal Plan allocates \$1,680,000 for locking and control system issues at 2 units. From FY 2012 to FY 2015, \$8.7 million has been reviewed for locking and control system issues. A prison unit is (Continued)

made up of housing units or buildings further subdivided into pods that contain the individual cells. A locking and control system can operate all doors within a pod including cells, showers, program areas and pod unit entry and exit doors. As a result of old control systems and old locks, existing systems experience frequent equipment failures. The costs for a unit depend on the size of the unit and the extent of repair or upgrading needed for the locks and doors. The allocated monies include \$1,200,000 for the replacement of locking systems at the end of service life at ASPC - Eyman Special Management Unit (SMU) I.

Several years ago, ADC determined that Eyman SMU I had 96 housing pods in need of repair and upgrades. The \$1.2 million included in the FY 2016 Building Renewal Allocation Plan funds the repair and upgrade of 20 pods. This funding along with the 20 pods repaired during FY 2014, and 20 pods currently being repaired during FY 2015, leaves 36 pods needing upgrades.

### Equipment and Replacement

A total of \$1,164,300 would be allocated for the replacement of old equipment at 2 units:

- Water Tank Replacement Yuma: The allocation includes \$850,000 for the replacement of two 300,000-gallon water tanks at the end of their service life with a single 600,000-gallon water tank at the Yuma prison. The replacement of the rusted and deteriorated tanks will provide a reliable water source for the 5,000 inmates and staff.
- Electrical Loop Upgrade Douglas Gila Unit: The allocation includes \$314,300 for the upgrading of an electrical distribution loop installed underground in 1976. The loop is the underground wiring that allows the flow of energy between individual transformers within the unit's electrical system. The upgrade will reduce electricity failures and repair costs that have been expended fixing the aged wiring.

# Project Design & Needs Assessment

A total of \$290,000 would be allocated for project design and needs assessment:

- \$150,000 for the design of a new fire alarm system for the Correctional Officers Training Academy. The current system is failing. The replacement funding would be addressed in subsequent building renewal allocations.
- \$140,000 to survey and prioritize structural repairs resulting from damage by the humidity and moisture produced by evaporative cooler units. The FY 2015 Building Renewal Allocation Plan allocated \$85,000 to assess the systemwide deterioration and damage from the prolonged exposure to high humidity due to the widespread use of evaporative cooling in ADC facilities.

RS/ML:Im

# Arizona Department of Corrections



GOVERNOR

May 22, 2015

1601 WEST JEFFERSON PHOENIX, ARIZONA 85007 (602) 542-5497 www.azcorrections.gov



CHARLES L. RYAN DIRECTOR

4 5

VED

The Honorable Don Shooter, Chairman Joint Committee on Capital Review 1716 West Adams

Re: Submission for review of FY 2016 Building Renewal Plan

Dear Senator Shooter:

Phoenix, Arizona 85007

The Arizona Department of Corrections (ADC) requests placement on the next meeting agenda of the Joint Committee on Capital Review (JCCR) for its review of the ADC FY 2016 Building Renewal Plan.

In FY 2016 \$5,464,300 General Fund is appropriated to ADC for building renewal. Supporting documentation for the plan is enclosed.

If you have any questions regarding any of the proposed items presented in the plan, please contact Michael Kearns, Division Director, ADC Administrative Services Division, at (602) 542-1160.

Sincerely Charles L. Ryan

Director

Enclosure

cc: The Honorable Justin Olson, Vice-Chairman, JCCR Lorenzo Romero, Director, Office of Strategic Planning and Budgeting Richard Stavneak, Director, Joint Legislative Budget Committee Scott Selin, Budget & Project Manager, Office of Strategic Planning and Budgeting Micaela Larkin, Fiscal Analyst, Joint Legislative Budget Committee

# ARIZONA DEPARTMENT OF CORRECTIONS FY 2016 BUILDING RENEWAL PLAN

LOCATION	PROJECT DESCRIPTION	EST	IMATED COST
VARIOUS	STATEWIDE STRUCTURAL SURVEYS (CONTINUED)	\$	140,000
ASPC-EYMAN SMU I	LOCKING SYSTEMS UPGRADES - PHASE III	\$	1,200,000
ASPC-EYMAN MEADOWS UNIT	CONTROL ROOM PANEL REPLACEMENTS	\$	480,000
ASPC-FLORENCE CENTRAL UNIT	STRUCTURAL REPAIRS - CB 1 & CB 4	\$	1,490,000
ASPC-LEWIS	DUCTWORK REPLACEMENT AT VARIOUS UNITS (BARCHEY, BACHMAN, BUCKLEY, EAGLE POINT)	\$	840,000
ASPC-YUMA	WATER TANK REPLACEMENT	\$	850,000
СОТА	FIRE ALARM DESIGN	\$	150,000
ASPC-DOUGLAS GILA UNIT	ELECTRICAL LOOP UPGRADE	\$	314,300
TOTAL		\$	5,464,300
FUND SOURCE			
BUILDING RENEWAL FUND		_\$	5,464,300
TOTAL FUND		\$	5,464,300

Arizona Department of Corrections FY 2016 Building Renewal Plan (continued)

# Statewide Structural Surveys Continuation:

Due to the widespread use of evaporative cooling in the ADC prisons and prolonged exposure to high humidity, several of the ADC concrete and steel structures have shown signs of deterioration and/or damage. The intent of the engineering survey is to prioritize structural repair needs by completing the surveys started in the FY 2015 Building Renewal Plan.

### \$1,200,000 ASPC-Eyman SMU I Locking System Upgrades - Phase III:

The continuation of a three year phased project to provide locking system upgrades at ASPC-Eyman SMU I Unit. Phase I is complete and Phase II is in progress. The unit is maximum custody and the 25+ year old locking systems have reached the end of the service life and need to be upgraded to provide a safe environment for staff and inmates.

# ASPC-Eyman Meadows Unit Control Panel Replacement:

Control room security panels at ASPC-Eyman Meadows Unit have reached the end of their service life. The original panels are 25+ years old and can no longer be repaired. These panels control locking systems that are critical to the safe operation of the unit.

# ASPC-Florence Central Unit Structural Repairs:

Structural issues at ASPC-Florence Central Unit in Housing Units One and Four require repair. These housing units were constructed in 1960 with cooling provided by evaporative coolers. The high humidity levels have caused concrete and steel structural components to deteriorate. Extensive repairs are required to ensure these close and maximum custody housing unit buildings remain safe and operational.

# ASPC-Lewis Ductwork Replacement:

The duct work in four housing units at ASPC-Lewis prison has deteriorated in the 15 years since original construction and need to be replaced. The ductwork, due to evaporative cooling, has rusted and deteriorated to the point that replacement is required to keep the cooling systems in service.

# ASPC-Yuma Water Tank Replacement:

Two of the 300,000 gallon water tanks at ASPC-Yuma have deteriorated and are in need of replacement due to hard water conditions. These tanks were originally installed in 1995 and are experiencing severe rust and structural issues. ADC will replace these two tanks with one 600,000 gallon tank to provide a reliable water source for the 5000+ inmates and staff.

# \$1,490,000

\$480,000

\$850,000

\$840,000

# \$140,000

Arizona Department of Corrections FY 2016 Building Renewal Plan (continued)

# Correctional Officers Training Academy Fire Alarm Design:

The Correctional Officers Training Academy (COTA) fire alarm system is failing and must be replaced. The fire alarm system is critical to the safe operation of the academy which houses thousands of officers in training each year. This project would allow for the design of a new fire alarm system. Purchase and installation of the system would be required in future building renewal allocations.

# ASPC-Douglas Gila Unit Electrical Loop Upgrade:

The underground electrical distribution loop that serves the ASPC-Douglas Gila Unit has had repeated failures and is in need of replacement. The electrical loop was originally installed in 1976 and due to long term exposure to underground conditions has deteriorated to the point that failures are frequent and costly to repair.

# Page 3 of 3

# \$150,000

# \$314,300

**2A** 



### STATE OF ARIZONA

# Joint Committee on Capital Review

1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director ヤーラ
FROM:	Rebecca Perrera, Fiscal Analyst <b>EP</b>
SUBJECT:	Arizona Department of Administration - Review of FY 2015 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 2015 Building Renewal Allocation Plan. The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated a total of \$18.0 million for building renewal. This amount consists of \$9.0 million from the General Fund and \$9.0 million from the Capital Outlay Stabilization Fund (COSF).

At its June 19, 2014 meeting, the Committee favorably reviewed ADOA building renewal projects, which totaled \$11.8 million. In September 2014, ADOA requested review of a \$5.0 million allocation from the remaining \$6.2 million appropriation. Although this request was not reviewed by the Committee, ADOA has encumbered \$2.2 million for these projects and intends to expend the remaining \$2.8 million from this allotment. ADOA is now requesting a review of the remaining \$1.2 million appropriation.

# Recommendation

The Committee has at least the following 2 options:

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

The proposed building renewal expenditure plan is consistent with building renewal guidelines and appropriations.

(Continued)

- 2 -

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

A. ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.

# Analysis

# Current Request

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The building renewal formula takes into account the replacement value, age, and life-cycle of all structures in the ADOA building system. A total of \$18.0 million is appropriated to ADOA to fund 53% of building renewal formula in FY 2015. (These amounts exclude Department of Corrections' facilities as they received their own building renewal appropriation.)

*Table 1* contains a complete list of the projects included in ADOA's FY 2015 Building Renewal Allocation Plan.

In terms of the current June 2015 request, a total of \$1,200,000 will be allocated to Fire and Life Safety projects at the Arizona Department of Juvenile Corrections. Specifically, this allocation will be used for fire code and suppression upgrades at the Adobe Mountain School (AMS). Several AMS buildings, including housing units, do not have fire suppression systems required by the State Fire Marshal causing a safety issue for occupants. Additionally, fire hydrants throughout the campus do not meet current code standards. The project will retrofit buildings for automatic sprinkler systems and replace existing fire hydrants.

The ADOA Building Renewal Allocation plan lists potential projects within each category and not all projects listed may be funded, while other additional projects within each category may be selected. To track ADOA's actual spending decisions, at its June 19, 2014 meeting, the Committee adopted a provision which requires ADOA to report on actual FY 2015 building renewal spending by project and appropriation source on December 31, 2014, June 30, 2015 and June 30, 2016. In its December report, ADOA reported \$438,700 had been spent and \$3.0 million was encumbered for building renewal projects. ADOA has not provided an updated estimate for the second half of FY 2015.

The FY 2016 Capital Outlay Bill further formalizes this reporting requirement and requires ADOA to report to the JLBC Staff on the status of all building renewal projects and building renewal expenditures on or before January 31, 2016 and July 31, 2016.

# Un-reviewed September Projects

In September 2014, ADOA requested review of another \$5.0 million in building renewal projects. At the time, the state had a projected General Fund shortfall of \$(282) million in FY 2015 and \$(765) million in FY 2016, including the impact of the K-12 inflation litigation. As result, then Representative Kavanagh as JCCR Chairman was concerned about proceeding with ADOA's entire request due to the budget shortfall.

Representative Kavanagh had an exchange of correspondence with ADOA about only proceeding with immediate fire and life safety projects and deferring other items until the overall budget picture was clarified (*See Attachment A*).

Table 1 FY 2015 Building R	lenewal Projects		
	June 2014 <u>Review</u>	September 2014 <u>Request</u>	June 2015 <u>Request</u>
Fire & Life Safety Projects			
ADJC AMS Fire Code and Suppression Upgrades			\$ 1,200,000
DEMA Fire and Life Safety System		\$ 500,000	
DPS Tucson Headquarters Fire Alarm System		275,000	
ADOA Capitol Mall Fire Alarm Systems Replacement	\$ 1,200,000		
ASDB Fire Alarm System Replacement	500,000		
DHS State Hospital Fire Alarm System Replacement	500,000		
ADJC AMS Fire Alarm and Lock Systems Replacement	2,800,000		
Subtotal	5,000,000	775,000	1,200,000
Building Shell/Interior Project			
AHS Tucson Museum Roof Repair		260,000	
ADOA Roof Replacement	1,000,000		
Subtotal	1,000,000	260,000	
Major Building Services Projects			
DHS State Hospital HVAC Replacement		1,000,000	
ADOA Managed Facilities Elevator Repair or Upgrade		500,000	
ADOA Capitol Mall Cooling Towers Replacement	1,000,000		
ADOA Capitol Mall HVAC Replacement	1,800,000		
ASDB HVAC Replacement	400,000		
Subtotal	3,200,000	1,500,000	
Demolition			
ADOA 1937 W. Jefferson	250,000		
DES ATPC Coolidge Ponderosa, Building Units 11-26	250,000		
Subtotal	500,000		
Energy Conservation Project			
ADOA Statewide Energy Conservation	1,000,000		
Infrastructure		1 850 000	
ADOA Physical Security System Construction		1,850,000	
Preventative Maintenance		360,000	
Capitol Mall Electrical, Mechanical, and Generator Maintenance		500,000	
<u>Other</u>			
Emergency Contingency	571,000	255,000	
Building Renewal Project Scoping	250,000		
Personnel Services/ERE Costs	275,000		
Risk Management Insurance Premium	4,000		
Subtotal	1,100,000	255,000	
TOTAL	11,800,000	5,000,000	1,200,00

Those discussions continued until Kathy Peckardt became Acting Director in October 2014. At that time, ADOA decided to proceed with their entire \$5.0 million request without JCCR review.

The main projects included:

- Repair and replacement of the electronic security system on the Capitol Mall, \$1.8 million. These resources were being combined with \$2.0 million in FY 2014 monies for an overall \$3.8 million project. The FY 2014 monies also were not submitted to JCCR for review.
- State Hospital HVAC replacement, \$1.0 million
- Fire Alarm replacements, \$775,000
- Elevator repair and upgrades, \$500,000
- Arizona Historical Society roof repair, \$260,000

The entire list appears in Table 1.

Of the \$5.0 million, ADOA has encumbered \$2.2 million of that amount primarily for the State Hospital HVAC, the Capitol Mall security system and ADOA preventative maintenance (*See Attachment B*).

RS/RP:kp

### Attachment A

APPROPRIATIONS, CHAIRMAN

JOINT LEGISLATIVE BUDGET

JOINT COMMITTEE ON CAPITAL REVIEW, CHAIRMAN

COMMITTEE, VICE-CHAIRMAN

COMMITTEES:

GOVERNMENT

JOHN KAVANAGH 1700 WEST WASHINGTON, SUITE H PHOENIX, ARIZONA 85007-2844 CAPITOL PHONE: (602) 926-5170 CAPITOL FAX: (602) 417-3108 TOLL FREE: 1-800-352-8404 jkavanagh@azleg.gov

DISTRICT 23



# Arizona House of Representatives Phoenix, Arizona 85007

September 25, 2014



Brian C. McNeil Director Department of Administration 100 North 15<sup>th</sup> Avenue Phoenix, Arizona 85007

Dear Director McNeil:

I have received your request for review by the Joint Committee on Capital Review (JCCR) of a \$5.0 million allocation from your \$18 million FY 2015 building renewal appropriation. The Committee has already demonstrated its commitment to your efforts in this regard by favorably reviewing your request of an \$11.8 million allocation from this appropriation at our June meeting.

Since June, however, we have developed a serious shortfall in the state budget. Through a combination of lower-than-expected revenues and K-12 litigation, the state has a General Fund shortfall of \$282 million in the current fiscal year and \$765 million in the next year. As the House Appropriations Chairman, I am concerned as to how we will resolve this problem.

I believe that we will need to consider a broad set of options in developing a shortfall plan next session. As a result, I do not want to take actions now that will hamstring the efforts of the new Governor and Legislature in eliminating the deficit.

At the same time, I think it is critical that the state immediately address fire and life safety concerns. As a result, I am proposing that the Committee favorably review \$1.3 million of these projects at its September meeting. We would then defer the remaining projects in your \$5 million request to a later JCCR meeting when we have greater clarity with regard to the state's financial condition and the preferences of the new Governor and Legislature.

This approach would allow the following projects to proceed:

- Department of Emergency and Military Affairs' fire and life safety system, \$500,000
- Department of Public Safety's Tucson headquarter fire alarm system, \$275,000
- Department of Administration's elevator repairs, \$500,000.

As a short term measure, I also recommend that you consider reallocating monies from your June allocation to replace the State Hospital HVAC system and the Historical Society's roof. Based on JCCR's June review, you also have available \$571,000 in contingency funding for any unexpected costs.

Director McNeil September 25, 2014 Page 2

The largest remaining project in your request is \$1.8 million for upgrades to the Capitol Mall's physical security system. As you know, the Legislature also specifically appropriated \$2 million for this project in FY 2014, but your department has yet to request JCCR review of those monies. While I believe that we should prioritize these types of life safety projects, I also suggest that we have a further discussion on this issue since the department is not bringing forward its entire plan for the \$3.8 million project.

I hope that we can work together on a plan that will allow the department to proceed with its most critical projects now and then develop an approach for revisiting the remainder of your request as we move throughout the remainder of the year.

Sincerely,

Solm Kavanagti (miji)

Arizona House of Representatives Chairman, Joint Committee on Capital Review

JK:mji

cc: John Arnold, Director, OSPB Richard Stavneak, Director, JLBC



Brian C. McNeil Director

Janice K. Brewer Governor

# ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

September 29, 2014

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

Re: Your Correspondence Dated September 26, 2014

Dear Representative Kavanagh:

I apologize for any miscommunication on the matter of the project to replace the existing MDI Security System which serves most of the Capitol Mall buildings and the Tucson Office Complex. As you know the software for this system is no longer supported.

I now regret that our request did not make it crystal clear that we wanted the entire \$3.85M project to be reviewed at the September 30, 2014 hearing. The initial FY14 appropriation of \$2.0M was inadequate for the project, and we concluded that our only viable option was to delay the replacement and ask for additional funding. With the additional \$1.85M for FY15, we believe we can move ahead with a vendor.

Thank you for your attention to this matter. Regarding the larger fiscal challenges facing the State Government, we stand ready to engage with you.

Sincerely,

Director



Kevin Donnellan Acting Director

# ARIZONA DEPARTMENT OF ADMINISTRATION

# OFFICE OF THE DIRECTOR

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

April 17, 2015

**Douglas A. Ducey** 

Governor

The Honorable Don Shooter, Chairman Joint Committee on Capital Review (JCCR) Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007

The Honorable Justin Olson, Vice-Chairman Joint Committee on Capital Review (JCCR) Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

Dear Senator Shooter and Representative Olson:

Section 41-1252, Arizona Revised Statutes, provides the Joint Committee on Capital Review (JCCR) shall review the expenditure of all monies appropriated for building renewal. Laws 2014, Second Regular Session, Chapter 15 (HB2709) appropriated \$18,000,000 to the Arizona Department of Administration (ADOA) for building renewal to allocate to the ADOA Building System.

ADOA requests JCCR review ADOA's FY 2015 ADOA Building System building renewal allocation of \$1,200,000 to the Arizona Department of Juvenile Corrections (ADJC) for Fire Code and Suppression Upgrades at Adobe Mountain School. This request concludes ADOA's FY 2015 ADOA Building System building renewal allocation plan for the \$18,000,000 appropriation.

To the extent possible, ADOA completes major maintenance and replacements to 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 2015 Building System building renewal allocation plan please contact William G. Hernandez, Assistant Director, ADOA General Services Division (GSD), at 602-364-2872.

Sincerely,

Kevin Donnellan Acting Director





Janice K. Brewer Governor Brian C. McNeil Director

# ARIZONA DEPARTMENT OF ADMINISTRATION

### OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401 PHOENIX, ARIZONA 85007

(602) 542-1500

September 4, 2014



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

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

Dear Representative Kavanagh and Senator Shooter:

Section 41-1252, Arizona Revised Statutes, provides the Joint Committee on Capital Review (JCCR) shall review the expenditure of all monies appropriated for building renewal. Laws 2014, Second Regular Session, Chapter 15 (HB2709) appropriates \$18,000,000 to the Arizona Department of Administration (ADOA) for building renewal to allocate to the ADOA Building System. This request is for \$5 million of the appropriation. At your June meeting, you reviewed \$11.8 million of the appropriation. ADOA will request review of the remaining balance later in the year.

ADOA requests JCCR review ADOA's FY 2015 ADOA Building System building renewal allocation plan (attachment). To the extent possible, ADOA completes major maintenance and replacements to 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.

	hand a sta			
FY 2015 Building Renewal P	•	Deview	Santan	aban Daviaw
Fire & Life Safety Projects	June	Review	Septen	<u>nber Review</u>
DEMA Fire and Life Safety System			\$	500,000
DPS Tucson Headquarters Fire Alarm System			\$	275,000
ADOA Capitol Mall Fire Alarm Systems Replacement	\$	1,200,000	Ψ	275,000
ASDB Fire Alarm System Replacement	\$	500,000		
	\$ \$	500,000		
DHS State Hospital Fire Alarm System Replacement ADJC AMS Fire Alarm and Lock Systems Replacement	з \$	2,800,000		
			\$	775 000
Subtotal	\$	5,000,000	Ð	775,000
Building Shell/Interior Project				
AHS Tucson Museum Roof Repair			\$	260,000
ADOA Roof Replacement	\$	1,000,000		
Subtotal	\$	1,000,000	\$	260,000
Major Building Services Projects				
DHS State Hospital HVAC Replacement			\$	1,000,000
ADOA Managed Facilities Elevator Repair or Upgrade			\$	500,000
ADOA Capitol Mall Cooling Towers Replacement	\$	1,000,000	Ŷ	200,000
ADOA Capitol Mall HVAC Replacement	\$	1,800,000		
ASDB HVAC Replacement	\$	400,000		
Subtotal	\$	3,200,000	\$	1,500,000
Demolition				
ADOA 1937 W. Jefferson	\$	250,000		
DES ATPC Coolidge Ponderosa, Building Units 11-26	\$	250,000		and a second second
Subtotal	\$	500,000	\$	
Energy Conservation Project				
ADOA Statewide Energy Conservation	\$	1,000,000	\$	1
Infrastructure				
ADOA Physical Security System Construction	\$	-	\$	1,850,000
Preventative Maintenance	*		<b>^</b>	
Capitol Mall Electrical, Mechanical, and Generator Maintenance	\$	-	\$	360,00
Other.				
Emergency Contingency	\$	571,000	\$	255,00
Building Renewal Project Scoping	\$	250,000		
Personnel Services/ERE Costs	\$	275,000		
Risk Management Insurance Premium	\$	4,000		
Subtotal	\$	1,100,000	\$	255,00

The Honorable John Kavanagh The Honorable Don Shooter September 4, 2014 Page 2 of 2

If you have any questions regarding ADOA's FY 2015 ADOA Building System building renewal allocation plan, please contact William G. Hernandez, Assistant Director, ADOA General Services Division (GSD), at (602) 364-2872.

Sincerely,

C. McNeil Brian

cc: /Richard Stavneak, Director, JLBC Staff Jack Brown, Principal Fiscal Analyst, JLBC Staff John Arnold, Director, OSPB Ed Boot, Capital Manager, OSPB Will Palmisano, Capitol Budget Analyst, OSPB Paul Shannon, Assistant Director, ADOA William Hernandez, Assistant Director, ADOA Nola Barnes, General Manager, ADOA

Attachment

Fire and Life Safety: improve or eliminate an impending condition that threatens life or property

The ADOA Building System has a number of fire alarm and suppression systems that have exceeded their life expectancy, are functionally obsolete, and in various stages of failure, if not already failed. 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. Upgrades to fire alarm and suppression systems are necessary to bring state facilities into compliance with Federal, State, and Local fire and life safety regulations.

\$500,000: Emergency & Military Affairs, Department of (DEMA) – Statewide Priorities – Repair or Replace Fire and Life Safety Systems

A.R.S. § 49-793.D. requires that ADOA should give priority to fire and life safety projects. A number of State owned Arizona Army National Guard Readiness Centers across the State are now in excess of 50 years old operating with original fire alarm and fire suppressions systems. These fire and life safety systems far exceed their useful life of 15 years and do not offer adequate fire protection or comply with current building fire code. This allocation will address the agency's top priorities. Potential projects include:

- Safford Readiness Center Construction Year: 1962
- Casa Grande Readiness Center Construction Year: 1961
- Coolidge Readiness Center Construction Year: 1954
- \$275,000: Public Safety, Department of (DPS) Tucson Headquarters Replace Fire Alarm System

The fire alarm system at the DPS Tucson Headquarters is currently inoperable and requires immediate replacement. DPS has implemented a fire watch until the system can be replaced. The building consists of two fire alarm systems manufactured by different companies. Both systems are approximately 15 years old and have exceeded their useful life. The fire alarm systems are outdated and non-functional throughout the entire facility. ADOA has completed design of the new system and is ready to move forward with construction. Replacement costs are based on engineer estimates and include monies for asbestos abatement.

**Building Shell:** including existing exterior closure, walls, windows, doors, and roofs

The allocations in this category are reflective of deteriorating exterior systems repaired to maximum effectiveness where further repairs are not cost effective nor prevent leaks. Neglect of exterior roofs, walls, windows and doors facilitates deterioration of building structural

systems, leads to potential mold growth, and increases 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 alone. This allocation is dedicated to proactively replacing failing roof systems, exterior expansion joints, doors and windows to mitigate negative impacts of interruption to mission critical functions and expensive "crisis-mode" emergency repairs and replacements.

\$260,000: Historical Society, Arizona (AHS) – Tucson Museum – Repair or Replace Failing Roof

> The existing roof at the Tucson Museum is original to the buildings' construction in 1962. The 40-year old roof has exceeded its useful life and requires replacement.

Major Building Services: includes existing elevators, plumbing (domestic), HVAC, and electrical

The allocations in this category are projects that reflect the worsening condition of major building services components, including large central plants, in ADOA Building System structures. Many of the failing chillers and cooling towers are original to building construction, have well 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 settings. 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.

\$1,000,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Replace 700-ton Chiller

The existing central plant at the Arizona State Hospital is comprised of four chillers, (2) 700-ton units, (1) 600-ton unit, and (1) 570-ton unit. One of the 700-ton units has failed and requires replacement. The remaining three chillers are currently operational; however the smaller two chillers are beyond their expected useful life, and may fail at any time. Adequate cooling is necessary to sustain cooling demands for the campus on a daily basis without placing the patient's safety and well-being in jeopardy. As a phased approach, ADOA will begin with replacement of the failed 700-ton chiller. Engineering and design is currently underway for the new chiller.

\$500,000: Administration, Department of (ADOA) – ADOA Managed Facilities – Repair or Upgrade Elevators

Elevator control systems on the Capitol Mall are obsolete and replacement parts are no longer available. Failure of these elevators would leave buildings without passenger or freight elevator services, placing the building out of compliance with ADA guidelines, increasing emergency repair costs as well as having a detrimental effect on daily operations. Potential projects include:

- 2910 N. 44<sup>th</sup> St.
- 1200 W. Washington St.

**Infrastructure:** includes existing roadways, parking lots, pedestrian paving, site electrical and mechanical utilities, water supply and distribution, sanitary and storm sewers, waste treatment, electrical distribution, site lighting, fencing, communications, and security.

\$1,850,000: Administration, Department of (ADOA) – ADOA Managed Facilities – Construction Phase of New ADOA Physical Security System

> A.R.S. § 41-791 directs ADOA's responsibility for security of its buildings. ADOA's current electronic command and control security system, which controls facility badge access and monitors alarms of a variety of types, is over 25 years old, obsolete, in chronic repair-mode, unsupported by current technology, and does not meet ADOA's current needs. Laws 2013, 1<sup>st</sup> Special Session, Chapter 8 (HB2008) appropriated \$2 million as a new individual capital project to begin the replacement and upgrade of the security system. ADOA procured a Construction-Manager-at-Risk (CMAR) contract to provide pre-construction services during the design phase of the project, serve as the general contractor throughout construction, and assume the risk of delivering the project through a series of fixed lump sums or Guaranteed Maximum Price (GMP) contracts.

> ADOA is allocating an additional \$1.85 million from its building renewal appropriation for the construction phase of the ADOA physical security system. The cumulative \$3.85 million will replace the existing access control system ("brain"); select a new access control card; and integrate the new system with HRIS, including design and engineering fees and any new door hardware (e.g. locks, strikes, handles, etc.). This fundamental framework of the new card access system will facilitate future expansion of the system and integration of additional building components as funding becomes available.

# **Preventative Maintenance:**

\$360,000: Administration, Department of (ADOA) – ADOA Managed Facilities

Laws 2011, First Regular Session, Chapter 34, (SB 1622) amended A.R.S. § 41-790 to define building renewal as "...major activities that involve the repair or

reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine PREVENTATIVE maintenance EXCEPT AS PROVIDED IN SECTION 41-793.01, SUBSECTION D, or demolition and removal of a building...." A.R.S. § 41-793.01 now directs that ADOA may use up to 8% of the amount appropriated for routine preventative maintenance. ADOA plans to spend this allocation on preventative maintenance for planned electrical, mechanical and generator maintenance on the capitol mall.

# **Contingency:**

\$255,000: Administration, Department of (ADOA) Building System – ADOA Building System Statewide Priorities – Contingency

ADOA will expend monies from this proposed allocation to repair or replace failed or failing HVAC, plumbing, electrical, and other building systems in mission critical structures and address unforeseen scope of work conditions.

Facility/Benefiting Agency	Project Description		Allocation
	Fire & Life Safety	_	
Emergency & Military Affairs, Department of			
Statewide Priorities	Repair or Replace Fire & Life Safety Systems		\$500,000
Public Safety, Department of			
Tucson Headquarters	Replace Fire Alarm System		\$275,000
		Sub-Total	\$775,000
	Building Shell (Asset Preservation)		
Arizona Historical Society			
Tucson Museum	Repair or Replace Failing Roof		\$260,000
		Sub-Total	\$260,000
	Major Building Services		
Iealth Services, Department of			
Arizona State Hospital	Replace 700-ton Chiller		\$1,000,000
dministration, Department of			
inancial Institutions, Department of	Repair or Upgrade Elevators		\$500,000
nsurance, Department of		10.277	
egislature, Office of the Auditor General		Sub-Total	\$1,500,000
eal Estate Department, State			
orporation Commission			
	Infrastructure		
dministration, Department of			
Tenants in ADOA managed facilities (numerous agencies)	Construction Phase of New ADOA Physical Security System		\$1,850,000
		Sub-Total	\$1,850,000
	Preventative Maintenance		
	Preventative Maintenance		\$360,000
		Sub-Total	\$360,000
	Contingency		
	Emergency and Unforeseen Conditions Contingency		\$255,000
		Sub-Total	\$255,000
	Sub-Total FY 2015 Building Renewa	I Appropriation	
	(To	tal \$18,000,000)	\$5,000,000
aws 2014, Second Regular Session, Chapter 15 (HB2709), app	propriated \$18 million in fiscal year 2014-2015 for building renewal.		
CR favorably reviewed \$11.8 million of the \$18,000,000 app			
	ding System and each State agency should give priority to fire and life sal	fety projects.	
R.S. § 41-1252.B. requires JCCR should give priority to fund		100 M 100 M	
DOA Managed Facilities means those buildings under ADOA			
enefitting Agency means the agency occupying a particular fac			

L1 2013 D	uliding Kenev	FT 2013 BUILDING RENEWAL STATUS (\$31/1 ALLOCATION)	vilocation	
Project	Allocated	Encumbered	Paid Project Status	
Preventative Maintenance - ADOA Managed Facilities	\$ 360,000.00 \$	\$ 319,897.21 \$	88,922.44 Preventative maintenance in progress	ntenance in progress
Replace or Upgrade Elevators - 2910 N. 44th St.	\$ 500,000.00 \$	\$ 69,930.00 \$	- Design in progress	SS
Replace DPS Tucson Fire Alarm System	\$ 275,000.00 \$	\$ 148,781.52 \$	61,949.74 Project complete	61,949.74 Project complete, awaiting final pay application
Repair or Replace Fire & Life Safety Systems - DEMA Statewide	\$ 500,000.00 \$	<del>دی</del> ۱	- ISA complete, pi	ISA complete, procuring design professional
Replace Tucson Museum Roof	\$ 260,000.00 \$	\$ 24.680.00 \$	4,386.80 Design in progress	SS
Replace 700-ton Chiller	\$ 1,000,000.00 \$	\$ 986,741.13 \$	48,331.71 Construction in progress	Drogress
Replace ADOA Physical Security System - Construction Phase	\$ 1,850,000.00 \$	\$ 665,706.62 \$	Construction in progress	Drogress
FY15 Building Renewal Contingency Index #21460	\$ 255,000.00 \$	\$		
Totals S		5,000,000.00 \$ 2,215,736.48 \$	203,590.69	

# FY 2015 Building Renewal Status (\$5M Allocation)

**2B** 



### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDEORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH

DATE

1716 WEST ADAMS PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO;	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 745
FROM:	Rebecca Perrera, Fiscal Analyst 🌈
SUBJECT:	Arizona Department of Administration - Review of FY 2016 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 2016 Building Renewal Allocation Plan. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated a total of \$14.0 million for building renewal. This amount consists of \$5.0 million from the General Fund and \$9.0 million from the Capital Outlay Stabilization Fund (COSF).

ADOA is requesting a review of the full \$14.0 million appropriation for building renewal projects in FY 2016. The proposed building renewal expenditure plan is consistent with building renewal guidelines and appropriations.

# Recommendation

The Committee has at least the following 2 options:

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

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

A. ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation. Prior reviews also included this provision.

(Continued)

- B. The distribution of the emergency contingency allocation of \$542,000 be addressed as follows:
  - 1. ADOA notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADOA can proceed without Committee review.
  - 2. If the emergency project is \$50,000 or greater, ADOA will request JCCR review.
  - 3. The Chairman can allow ADOA to move forward with an emergency project of greater than \$50,000 without Committee review.
  - 4. The Chairman will notify ADOA if he does not agree that the project is an emergency and will request that ADOA not proceed with the project.

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity. Prior reviews also included this provision.

- C. If ADOA adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.
- D. ADOA shall submit to JLBC Staff by December 31, 2015 an analysis of the status of the state's fire alarm systems, along with the anticipated need, cost, and timeline for the upgrade and/or replacement of systems.

### Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The building renewal formula takes into account the replacement value, age, and life-cycle of all structures in the ADOA building system. A total of \$14.0 million is appropriated to ADOA to fund 38.8% of the building renewal formula in FY 2016. (These amounts exclude Department of Corrections' facilities as they received their own building renewal appropriation.) See *Table 1* for the list of projects included in ADOA's FY 2016 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/Interior, Major Building Services, Infrastructure, 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. ADOA states that all projects may not be funded. ADOA has indicated that they may need to add new projects not listed. In that circumstance, the JLBC Staff recommends the Committee adopt a provision requiring the department to submit any new non-emergency projects for Committee review.

To track ADOA's actual spending decisions, the FY 2016 Capital Outlay Bill included a footnote requiring ADOA to report to the JLBC Staff on the status of all building renewal projects and building renewal expenditures on or before January 31, 2016 and July 31, 2016.

# Fire and Life Safety Projects

A total of \$2.2 million will be allocated to 4 different projects. Of this amount, \$1.1 million will fund a continuation of phased fire alarm systems replacements in the Capitol Mall office buildings.

(Continued)

-	3	
	~	

Table 1	
FY 2016 Building Renewal Allocation Plan	
<u>Fire &amp; Life Safety Projects</u> ADOA Capitol Mall Fire Alarm Systems Replacement ASDB Fire Alarm System Replacement DHS State Hospital Fire Alarm System Replacement DES ATP Coolidge Underground Fire Suppression Line Replacement <i>Subtotal</i>	\$ 1,050,000 500,000 350,000 
Building Shell/Interior Projects ADOA Roof Replacement Prescott Historical Society Exterior Brick & Mortar Repair Subtotal	\$ 1,500,000 
Major Building Services Projects ADOA Capitol Mall HVAC Replacement ASDB HVAC Replacement Pioneers' Home Evaporative Cooling System Replacement DHS State Hospital Steam Boilers and De-Aerator Tank Replacement ADOA Statewide HVAC Controls, Automation, and Replacement State Forester Deer Valley Fire Dispatch HVAC Building Renewal ADOA Capitol Mall Repair/Modernize Elevators DPS Encanto Headquarters Repair/Modernize Elevators <i>Subtotal</i>	\$ 2,400,000 450,000 100,000 1,700,000 1,520,000 180,000 1,500,000 <u>300,000</u> \$ <i>8,150,000</i>
Infrastructure ADOA Statewide Replace/Repair Parking Lots	\$ 700,000
Preventative Maintenance ADOA Capitol Mall Preventative Maintenance	\$ 280,000
Other Personnel Services/ERE Costs Building Renewal Project Scoping Risk Management Insurance Premium Emergency Contingency Subtotal	\$ 275,000 250,000 3,000 <u>542,000</u> <u>\$ 1,070,000</u>
TOTAL	\$14,000,000

An amount of \$500,000 will be allocated to a continuation of phased fire alarm systems replacement at the Arizona State School for the Deaf and the Blind's (ASDB) Tucson Campus. Also, \$350,000 will fund a continuation of phased fire alarm systems replacement at the Department of Health Services' (DHS) Arizona State Hospital (ASH). In addition, \$250,000 will fund the investigation and replacement of the underground fire suppression lines at the Department of Economic Security (DES) Arizona Training Program (ATP) in Coolidge. Additional funds for the DES project may be necessary once the investigation is complete.

Since fire alarm replacement has been a major building renewal priority for the past several years, the Committee may consider adopting a provision requiring ADOA to submit to JLBC Staff an analysis of the state's fire alarm system including anticipated need, cost, and timeline for the upgrade and/or replacement of systems.

(Continued)

#### **Building Shell/Interior Projects**

A total of \$1.7 million will be allocated to 2 different projects. Of this amount, \$1.5 million will fund the repair or replacement of failing roofs at agencies statewide within the ADOA Building Renewal System. An amount of \$150,000 will fund the repair of exterior brick and mortar joints at the Prescott Historical Society Sharlot Hall Museum.

#### Major Building Services Projects

A total of \$8.2 million will be allocated to 8 different projects. Of this amount, \$6.2 million will be spent on 5 HVAC projects. An amount of \$2.4 million will be spent to repair or replace HVAC system replacements at Capitol Mall office buildings and \$450,000 will replace HVAC systems at ASDB in Tucson. In addition, \$100,000 will replace the evaporative cooling system at the Arizona Pioneers' Home in Prescott. A sum of \$1.7 million is allocated to replace 2 steam boilers and a de-aerator tank at the DHS State Hospital. Finally, \$1.5 million will be spent to replace and integrate HVAC controls and building automation systems statewide.

A sum of \$180,000 will address multiple issues at the State Forestry Division Deer Valley Fire Dispatch Complex including HVAC repairs, roof leaks, fire code upgrades, and electrical repairs.

A sum of \$1.8 million will be spent on 2 elevator repair or upgrade projects. Of this amount, \$1.5 million is allocated to elevators on the Capitol Mall and \$300,000 is allocated to elevators at the Department of Public Safety (DPS) Encanto Headquarters.

#### Infrastructure

A total of \$700,000 is allocated to replace or repair state office parking lots including repairing damage caused by erosion.

#### Preventative Maintenance

A total of \$280,000 is allocated for planned electrical, mechanical, and generator maintenance on the Capitol Mall.

#### Other

The sum of \$275,000 will be allocated to cover project management costs for FY 2016 building renewal projects. 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. A payment of \$3,000 will be paid for a Construction Insurance Premium. A total of \$542,000 is allocated for 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.

#### RS/RP:lm

Douglas A. Ducey Governor



Kevin Donnellan Acting Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

#### OFFICE OF THE DIRECTOR

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

May 28, 2015

The Honorable Don Shooter, Chairman Joint Committee on Capital Review (JCCR) Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007

The Honorable Justin Olson, Vice-Chairman Joint Committee on Capital Review (JCCR) Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

Dear Senator Shooter and Representative Olson:

Section 41-1252, Arizona Revised Statutes, provides the Joint Committee on Capital Review (JCCR) shall review the expenditure of all monies appropriated for building renewal. Laws 2015, First Regular Session, Chapter 9 (SB1470) appropriated \$14,000,000 to the Arizona Department of Administration (ADOA) to allocate to the ADOA Building System for building renewal projects.

ADOA requests JCCR review ADOA's FY 2016 ADOA Building System building renewal allocation plan for \$14,000,000.

To the extent possible, ADOA completes major maintenance and replacements to 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.



The Honorable Don Shooter The Honorable Justin Olson May 28, 2015 Page 2 of 2

If you have any questions regarding ADOA's FY 2016 ADOA Building System building renewal allocation plan, please contact William G. Hernandez, Assistant Director, ADOA General Services Division (GSD), at 602-364-2872.

Sincerely,

Kevin Donnellan Acting Director

Attachments

cc: Richard Stavneak, Director, JLBC Staff ✓ Rebecca Perrera, Fiscal Analyst, JLBC Staff Bill Greeney, Assistant Director, OSPB Chris Olvey, Budget Analyst, OSPB Paul Shannon, Assistant Director, ADOA William Hernandez, Assistant Director, ADOA/GSD Nola Barnes, General Manager, ADOA/GSD

Fire and Life Safety: improve or eliminate an impending condition that threatens life or property

The ADOA Building System has a number of fire alarm and suppression systems that have exceeded their life expectancy, are functionally obsolete, or are in various stages of failure, if not already failed. 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. Upgrades to fire alarm and suppression systems are necessary to bring state facilities into compliance with Federal, State, and Local fire and life safety regulations.

\$1,050,000: Administration, Department of (ADOA) – Capitol Mall - Replace Fire & Life Safety Systems

The proprietary systems in many Capitol Mall buildings are obsolete. Some of the alarm system companies have been out of business for many years and the parts are not manufactured or supported by alternative sources. The proposed allocation consists of the continued replacement of Capitol Mall fire alarm systems, including the Executive Tower, and the fire pumps and associated components at 1600 W. Monroe St. and 1700 W. Washington St. (Executive Tower).

\$500,000: Deaf and the Blind, Arizona Schools for the (ASDB) – Tucson Campus – Replace Fire & Life Safety Systems

> An FY 2012 allocation provided monies for a campus-wide fire alarm assessment. ADOA prioritized recommendations in FY 2013 and FY 2014 for replacement of fire alarms concurrent with a requirement to install fire suppression in the campus dormitories. The proposed allocation will provide monies for design and construction of the next group of buildings.

\$350,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Replace Fire & Life Safety Systems

> A number of fire damper actuators on the ASH campus have failed and are in need of immediate replacement. In addition, ADOA has continued to fund replacement of campus fire alarm systems in a phased approach as replacement parts are no longer available. The proposed allocation will provide monies for immediate replacement of the inoperable fire dampers and the remaining balance toward continued replacement of the fire alarm systems.

\$250,000: Economic Security, Department of (DES) – Arizona Training Program (ATP) in Coolidge – Replace Underground Fire Suppression Lines

÷.

The existing underground infrastructure supporting the ATP Coolidge automatic fire suppression system for seven (7) buildings is in need of replacement. Water used to supply the suppression system, as well as the surrounding soils, are high in salts leading to corrosion of the underground ductile iron pipe. There have been two ruptures in the lines that required emergency repair and further identified the deteriorated state of the underground pipe. This proposed allocation will provide monies for further investigation and replacement of the underground lines. Additional funds may be necessary due to unforeseen conditions once design and construction are underway.

Building Shell: including existing exterior closure, walls, windows, doors, and roofs

The allocations in this category are reflective of deteriorating exterior systems repaired to maximum effectiveness where further repairs are not cost effective nor prevent leaks. Neglect of exterior roofs, walls, windows and doors facilitates deterioration of building structural systems, leads to potential mold growth, and increases 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 alone. This allocation is dedicated to proactively replacing failing roof systems, exterior expansion joints, doors and windows to mitigate negative impacts of interruption to mission-critical functions and expensive "crisis-mode" emergency repairs and replacements.

\$1,500,000: Administration, Department of (ADOA) – Statewide Priorities – Repair or Replace Failing Roofs

All agencies within the ADOA Building System possess buildings with roofs that have reached and/or exceeded their useful lives. Physical deterioration through the combination of wear and tear, exposure to the elements, structural defects, and deferred maintenance have contributed to evidence of leakage, punctures, tears, blistered coatings, stained interior ceilings, sagging or decaying roof structures, and more. Some types of deterioration may be very apparent, while others may require a more thorough examination by a qualified source. The following list of potential projects is just a small portion of the roofing work that needs to be accomplished throughout the building system:

- ADOA 1789 W. Jefferson St.
- ADOA 1300 W. Washington St. Mechanical Building
- ADOA 1200 W. Washington St. Mechanical Building
- DPS Phoenix Fleet, Statewide Repairs

\$150,000: Historical Society of Arizona, Prescott (PHS) – Sharlot Hall Museum – Repair Exterior Damage to Brick and Mortar Joints on Museum Building

The exterior brick and mortar on the Museum Center has begun to rapidly deteriorate from exposure to the elements. The original sealant is deteriorated and the brickwork and mortar are spalling and eroding. The Museum Center houses delicate artifacts and exhibits that must be protected from water intrusion. The proposed allocation will remove and replace defective bricks and mortar and reseal the building with a waterproof sealant.

Major Building Services: includes existing elevators, plumbing (domestic), HVAC, and electrical

The allocations in this category are projects that reflect the worsening condition of chief building services components, including large central plants, in ADOA Building System structures. Many of the failing chillers and cooling towers are original to building construction, have well 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 settings. 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.

\$2,400,000: Administration, Department of (ADOA) – Capitol Mall – Replace Failing HVAC

Several ADOA-managed buildings in the Capitol Mall are in need of complete HVAC systems replacement. The proposed allocation will address the most critical HVAC needs in the Capitol Mall to mitigate negative impacts of "crisis-mode" emergency repairs and replacements. Potential projects include:

- 1700 W. Washington St. Central Plant (Cooling Towers, Pumps)
- 1740 W. Adams St. Central Plant for 1740 W. Adams, 1716 W. Adams, and 1688 W. Adams (Cooling Towers, Chillers, Pumps)

Given the years of deferred repairs and replacements, unanticipated mechanical failures of HVAC systems may warrant reprioritization of projects.

\$450,000: Deaf and the Blind, Arizona Schools for the (ASDB) – Tucson Campus - Replace Failing HVAC

Several buildings on the ASDB Phoenix and Tucson campus are in need of HVAC replacements. An increasing number of these units reach and/or exceed their life expectancy on an annual basis. These units serve various housing, classroom and recreational facilities. Failure to address these systems will lead to costly repairs and pose serious health safety risks for the youth and staff housed in these buildings. This allocation will be used to address the most critical HVAC issues on campus in an effort to prevent costly repairs and emergency replacements.

\$100,000: Pioneers' Home, Arizona (APH) – Replace Existing Evaporative Cooling System

The existing evaporative cooling system at the Arizona Pioneers' Home in Prescott, AZ is nearing the end of its useful life and must be replaced. Water drainage from the evaporative system has consistently leaked onto the concrete deck over many years causing potential damage to the structure. This allocation will support investigation of alternative cooling systems that will prevent further water damage and replace the aging units.

\$1,700,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Replace Two 350 Hp Steam Boilers and De-Aerator Tank

> The Arizona State Hospital central plant consists of two (2) 350 Hp steam boilers and a de-aerator tank that are all beyond their expected useful life and in need of replacement. Boiler #1 has failed and repair costs exceed the costs for replacement. Boiler #2 is operating at approximately 60% capacity due to the removal of several leaking tubes. The existing system will be replaced with 25,000 MBH of new condensing boilers with natural gas savings in the 25-50% range based upon elimination of the steam losses associated with the low efficiency steam boilers.

\$180,000: State Forestry Division, Arizona (SFD) – Deer Valley Fire Dispatch Complex-HVAC, Building Shell, Fire Code Upgrades, Electrical Repairs, and Interior Deficiencies

The Deer Valley Fire Dispatch complex was constructed in 1988 and is in need of numerous building repairs to maintain mission-critical functions. The Complex processes thousands of requests for operational and logistical support for a number of incidents throughout the State of Arizona, including 24/7 operation during wild land fire season. The proposed allocation would address aging HVAC equipment, roof leaks, fire code upgrades, electrical repairs, and interior deficiencies.

\$1,520,000: Administration, Department of (ADOA) – ADOA Building System – HVAC Controls, Building Automation, and Systems Replacement

Various building HVAC controls are equipped with disparate "front-ends" requiring multiple computers, workstations, and hardware to control HVAC systems throughout ADOA buildings. Current HVAC system components are failing, lack interconnectivity, and are inefficient. Replacing and integrating the multiple systems into a single processing source will provide a centralized control of HVAC management systems, decrease energy consumption, reduce equipment downtimes, and improve allocation of personnel resources. Potential projects include:

- AHS Tempe & Tucson Museum
- AHCCCS 701 & 801 W. Jefferson St.
- ADOA 1601 W. Jefferson St.
- ADOA 1645 W. Jefferson St.
- ADOA 1535 W. Jefferson St.
- ADOA 1300/1400 W. Washington St., Central Plant
- \$1,500,000: Administration, Department of (ADOA) Capitol Mall Repair/Modernize Elevators

Elevator control systems on the Capitol Mall are obsolete and replacement parts are no longer available. Failure of these elevators would leave buildings without passenger or freight elevator services, placing the building out of compliance with ADA guidelines, increasing emergency repair costs as well as having a detrimental effect on daily operations. Potential projects include:

- 15 S. 15<sup>th</sup> Ave. (Capitol Center)
- 1624 W. Adams St.
- \$300,000: Public Safety, Department of (DPS) Encanto Headquarters Repair/Modernize Elevators

Elevators in the Criminal Investigations (CI) building and the Special Operations Unit (SOU) are in need of critical code updates necessary to ensure life safety. Failure of these elevators would leave buildings without passenger or freight elevator services, placing the building out of compliance with ADA guidelines, increasing emergency repair costs as well as having a detrimental effect on daily operations.

**Infrastructure**: includes existing roadways, parking lots, pedestrian paving, site electrical and mechanical utilities, water supply and distribution, sanitary and storm sewers, waste treatment, electrical distribution, site lighting, fencing, communications, and security

\$700,000: Administration, Department of (ADOA) – ADOA Building System - Replace or Repair State Office Parking Lots

Many parking lots have been in a "deferred indefinitely" status for many years and in an exhausted state of deterioration because limited building renewal monies are directed at keeping failing roofs, HVAC, electrical and plumbing systems, fire alarms, sewer and water systems operational. Interim measures such as patch repairs and sealants are ineffective and the only option is to remove and replace the asphalt. The lot surfaces have succumbed to long-term erosion, shifting, and

settling caused by water penetration of the underlying pavement base and extreme weather conditions further exacerbated by the weight of passing traffic. Potential projects include:

- ADOA 1510/1520 W. Adams St.
- ADOA 1601 W. Jefferson St.
- ASDB Tucson Campus Driveway

#### **Preventative Maintenance:**

\$280,000: Administration, Department of (ADOA) – ADOA Managed Facilities

ADOA plans to spend this allocation on preventative maintenance for planned electrical, mechanical and generator maintenance on the Capitol Mall.

#### **Project Scoping/Professional Services:**

\$250,000: Administration, Department of (ADOA) – ADOA Building System – Building Renewal Project Priorities (FY 2016 and Prospective FY 2017) Scoping/Professional Services

> The FY 2016 \$14 million ADOA building renewal appropriation is the second largest percentage of the statutory building renewal formula allocated for nondedicated fund source agencies (39%) in 16 years. This allocation will allow ADOA to address a number of project requests, including some with complex scopes of work, that otherwise would not have been fully funded. Some of the building renewal requests ADOA receives from agencies for funding consideration have deficient 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 scopes of work that adequately and cost effectively address the requirements of an agency project request. The following is a list of potential projects that require additional scoping/professional services:

- DES Replace Underground Fire Suppression Lines
- DPS Repair/Modernize Elevators
- DHS Underground Chilled Water Line Replacement
- APH Cooling System Replacement

#### Personnel Services or Employee Related Expenditures:

\$275,000: ADOA Construction Services Project Management Costs

ADOA may allocate up to up \$275,000 in Personal Services and Employee Related Expenses for up to 5 FTE Positions for building renewal project management.

#### **Risk Management Insurance Premium:**

#### \$3,000: ADOA Risk Management Construction Insurance Premium

The ADOA General Services Division (GSD) pays a .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 Engineering and Architectural (A & E) services contracts. The premium is not paid for direct construction costs or for reimbursable expenses.

#### **Contingency:**

\$542,000: Administration, Department of (ADOA) Building System – ADOA Building System Statewide Priorities – Contingency

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

	FY 2016 Building Renewal Allocation Plan	
	ADOA Building System	
Agency	Fire & Life Safety	
Administration, Arizona Department of	Replace Fire & Life Safety Systems - Capitol Mall	Allocation
Deaf and the Blind, Arizona State Schools for the	Replace Fire & Life Safety Systems - Tucson ASDB Campus	\$1,050,000
Health Services, Department of	Replace Fire & Life Safety Systems - Arizona State Hospital Campus	\$500,000
Economic Security, Department of	Replace Underground Fire Suppression Lines - ATP Coolidge	\$350,000
The second		\$250,000
	Building Chall (4 - 4 D	\$2,150,000
ADOA Building System - Statewide	Building Shell (Asset Preservation)           Repair or Replace Failing Roofs - ADOA Building System Statewide Priorities	
Historical Society of Arizona, Prescott	Repair Exterior Damage to Brick and Mortar Joints on Museum Building	\$1,500,000
	Repair Exterior Dailage to Brick and Mortar Joints on Museum Building	\$150,000
	Subtotal	\$1,650,000
Administration, Arizona Department of	Major Building Services	
Deaf and the Blind, Arizona State Schools for the	Replace Failing HVAC - Capitol Mall	\$2,400,000
Pioneers' Home, Arizona	Replace Failing HVAC - ASDB Tucson	\$450,000
	Replace Existing Evaporative Cooling System	\$100,000
Health Services, Department of	Replace Two 350 Hp Steam Boilers and De-Aerator Tank - Arizona State Hospital	\$1,700,000
State Forestry Division, Arizona	Deer Valley Fire Dispatch Complex - HVAC, Building Shell, Fire Code Ungrades & Interior Deficiencies	\$180,000
ADOA Building System - Statewide	HVAC Controls, Building Automation and Systems Replacement	\$1,520,000
Administration, Arizona Department of	Repair/Modernize Elevators - Capitol Mall	\$1,500,000
Public Safety, Department of	Repair/Modernize Elevators - DPS Encanto Headquarters	\$300,000
	Subtotal	\$8,150,000
	Infrastructure	40,150,000
ADOA Building System - Statewide	Repair/Replace State Office Parking Lots	\$700,000
	Subtotal	\$700,000
	Preventative Maintenance	\$700,000
Administration, Arizona Department of	Preventative Maintenance	<b>#200</b>
		\$280,000
	Subtotal Project Management, Project Scoping, and Insurance Premium	\$280,000
Project Scoping	FY2016 & FY2017 Building Renewal Project Scoping/Professional Services Allocation	
Project Management	Construction Services Project Management Costs	\$250,000
Risk Mgmt. Insurance	Piels Menogement Learning P	\$275,000
	Risk Management Insurance Premium	\$3,000
· · · · · · · · · · · · · · · · · · ·	Subtotal	\$528,000
Contingency	Contingency	
contingency	FY2016 Building Renewal Contingency Allocation	\$542,000
	Subtotal	\$542,000
	Total FY 2016 Building Renewal Appropriation	\$14,000,000

C



#### STATE OF ARIZONA

### Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director R.G
FROM:	Josh Hope, Fiscal Analyst 37H
SUBJECT;	Arizona Department of Administration - Review of Lease-Purchase Refinancing

#### Request

Pursuant to A.R.S. § 41-791.02, the Arizona Department of Administration (ADOA) requests that the Committee review and approve the refinancing of 2 long-term financing agreements: 1) a Privatized Lease-to-Own (PLTO) agreement from 2005 (the Capitol Mall Project) and 2) a lease-purchase agreement that was issued in 2008 to fund additional Arizona Department of Corrections (ADC) prison beds and upgrade Arizona State Hospital (ASH) infrastructure.

At current interest rates, refinancing \$154.5 million in outstanding principal obligations is estimated to result in interest savings of \$14.9 million over the duration of the financing period. FY 2016 interest savings are expected to be \$2.9 million from the General Fund with ongoing average annual interest savings ranging from \$812,000 to \$1.1 million annually.

#### Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the refinancing agreement.
- 2. An unfavorable review of the refinancing agreement.

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

A. ADOA is to submit a final debt service schedule associated with the refinancing agreement.

(Continued)

#### Analysis

A.R.S. § 41-791.02 requires that a lease-purchase agreement be reviewed and approved by the Committee before the agreement takes effect. In order to take advantage of current low interest rates, ADOA is proposing to refinance its 2005 PLTO agreement and a lease-purchase agreement from 2008. The 2 issuances will be refinanced into a single issuance.

The 2005 PLTO is a refinancing of a 2000 PLTO, which financed the construction of the ADOA and Department of Environmental Quality (DEQ) buildings on the Capitol Mall. PLTO agreements are debt financing mechanisms in which a building is constructed by a private entity and then leased to the state. At the end of the term, the state assumes full ownership of the property. Throughout the term of the agreement, this private entity is responsible for the maintenance of the building.

The 2008 lease-purchase agreement issuance financed construction of 4,000 prison beds for ADC, water and wastewater improvements at ADC, and the forensic unit and additional infrastructure at ASH. The refinancing includes debt incurred from all of these projects.

ADOA estimates savings of \$14.9 million from FY 2016 through FY 2028, which takes into account approximately \$1.5 million in issuance costs. *(See Table 1 below)*.

As part of the refinancing process, the 2005 PLTO for the Capitol Mall Project will now be under a standard lease-purchase agreement. Since a PLTO usually requires a private entity to maintain the building until the life of the agreement is complete, the conversion to a standard lease-purchase agreement could affect this maintenance provision. However, ADOA states that when the conversion from a PLTO into a lease-purchase agreement occurs, the proposed refinancing agreement will contain annual payments to the private entity who will continue to be responsible for the maintenance of the Capitol Mall Project through FY 2028. ADOA states that refinancing the 2 separate issuances into 1 issuance is more cost-effective, as the costs associated with financing a single issuance is less than the cost of financing multiple issuances.

The new issuance is projected to reduce interest rates from an average of 4.2% to 2.8%. While the 2 projects will now be financed under 1 new issuance, all the basic terms, such as the timing of debt service payments and length of maturity, would remain the same.

Table 1				
Estimated Changes to Debt Service Schedule Due To Refinancing $\underline{1}/$				
Fiscal Year Current Debt Schedule Updated Debt Schedule Difference				
FY 2016	\$ 11,737,700	\$ 8,800,500	\$ (2,937,200)	
FY 2017	11,699,200	10,882,300	(816,900)	
FY 2018	11,673,500	10,858,400	(815,100)	
FY 2019	11,846,100	11,033,200	(812,900)	
FY 2020	11,919,100	11,101,800	(817,300)	
FY 2021	9,425,900	8,609,400	(816,500)	
FY 2022	29,200,200	28,078,600	(1,121,600)	
FY 2023	26,651,500	25,531,500	(1,120,000)	
FY 2024	22,883,600	21,762,400	(1,121,200)	
FY 2025	22,889,500	21,766,400	(1,123,100)	
FY 2026	22,887,100	21,764,100	(1,123,000)	
FY 2027	22,879,200	21,758,600	(1,120,600)	
FY 2028	15,418,000	14,293,600	(1, 124, 400)	
Total	\$231,110,600	\$216,240,800	(\$14,869,800)	

(Continued)

Annual debt service under the proposed refinancing will be reduced by \$(14.9) million over a 13-year period. In FY 2016, the refinancing will reduce the \$11.7 million debt service payment to \$8.8 million, a savings of \$2.9 million from the General Fund. In subsequent years, annual interest savings will range from approximately \$812,000 to \$1.1 million.

RS/JH:lm



Douglas A. Ducey Governor Kevin Donnellan Acting Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

#### GENERAL ACCOUNTING OFFICE

100 NORTH FIFTEENTH AVENUE • SUITE 302 PHOENIX, ARIZONA 85007

Phone: (602) 542-5601 • Fax: (602) 542-5749

May 27, 2015

The Honorable Senator Don Shooter, Chairman 2015 Joint Committee on Capital Review Arizona State Senate 1700 West Washington Phoenix, Arizona 85007



Dear Senator Shooter:

We request placement on the next Joint Committee on Capital Review (JCCR) meeting agenda to address the refinancing opportunities for State obligations. The State has an opportunity to refinance all of the Series 2005 PLTOs (Capital Mall LLC I Project) and a portion of the Series 2008A COPs. To maximize the savings to the State, we plan to refinance all of the obligations as COPs. All other basic terms (such as timing of principal payments and length to maturity) would remain the same. The combined estimated savings over the life of the financings is \$14,869,803. As is the case with all refinancings, the amount of savings is interest rate sensitive and the extent to which the 2008A COPs are refunded is subject to change depending on market conditions. Specific detail is as follows:

Refunding	Refunded Par	Net Estimated Savings
Series 2005 PLTOs	\$59,005,000	\$8,838,100
Series 2008A COPs	95,495,000	6,031,703
Combined	\$154,500,000	\$14,869,803

Thank you for your attention to this request. If you have any questions or need any additional information, please call me at 542-5405.

Sincerely,

Lefanting.

D. Clark Partridge State Comptroller

cc: Richard Stavneak Rebecca Perrera Jack Brown Kevin Donnellan Paul Shannon Lorenzo Romero Christopher Olvey Bill Greeney Michael Williams Carly Fleege



#### STATE OF ARIZONA

### Joint Committee on Capital Review

1716 WEST ADAMS

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH PHOENIX, ARIZONA 85007 (602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director RS
FROM:	Josh Hope, Fiscal Analyst うけ

#### SUBJECT: School Facilities Board - Review of Lease-Purchase Refinancing

#### Request

The FY 2016 K-12 Education BRB (Laws 2015, Chapter 15) authorizes the School Facilities Board (SFB) to enter into a refinancing agreement during FY 2016 that reduces the agency's lease-purchase payments by a combined total of at least \$7.0 million during FY 2016 through FY 2024. In addition, the law requires that the annual savings during this time period may not vary by more than \$1.0 million in any fiscal year. The intent of this provision was to provide a relatively level amount of refinancing savings across years. Previous SFB refinancings were structured to provide savings during only 1 or 2 years.

The FY 2016 K-12 Education BRB requires that before entering into a refinancing agreement, the agreement's proposed terms must be submitted to the JCCR for review.

Under current market conditions, SFB anticipates that the proposed transaction will have debt service savings of approximately \$10.8 million during the FY 2016 through FY 2024 time period. Depending on market conditions at the time of issuance, SFB anticipates actual total savings will vary between \$10.0 million and \$12.0 million.

#### Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the refinancing agreement.
- 2. An unfavorable review of the refinancing agreement.

(Continued)

- 2 -

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

A. SFB is to submit a final debt service schedule associated with the refinancing agreement along with a revised version of SFB's total debt service schedule after the refinancing agreement.

#### Analysis

In FY 2003 - FY 2005, FY 2008, FY 2009, and FY 2011, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, the financing is typically repaid over a period of 15 years.

At its October 2013 meeting, the JCCR favorably reviewed a refinancing agreement. That provided \$3.8 million of non-recurring savings in FY 2015. Additionally, at its April 2014 meeting, the JCCR favorably reviewed a second refinancing agreement. That provided an additional \$9.4 million of non-recurring savings in FY 2015 for a total non-recurring savings of \$13.2 million in FY 2015.

In this new proposed transaction, SFB would immediately issue approximately \$298.0 million of new financing at an average interest rate of 2.0% to 2.5%, which would then be used to retire \$257.4 million of current financing that has an estimated average interest rate of 5.3%. This retirement would occur in FY 2019, when the 2008 financing becomes "callable." The estimated cost of issuance is \$900,000.

As noted above, in order to take advantage of current low interest rates, the proposed refinancing is being executed several years before the 2008 issuance can literally be paid off. This schedule would suggest that the state will be responsible for debt service payments on 2 issuances (the old 2008 and the new 2015 issuance).

However, the structure of the proposed refinancing addresses this issue. In the short-term (FY 2016 – FY 2018), the "excess" issuance listed previously (\$298 million new financing vs \$257 million outstanding balance) is set aside to pay the debt service on the existing 2008 financing. The net result is that the state would then only be responsible for making debt service payments on the new 2015 issuance. These payments are estimated to be \$(1.2) million lower each year than SFB's existing debt service schedule.

Upon reaching the FY 2019 call date, the state will have \$257 million of proceeds remaining from the new 2015 issuance, having spent some funds during FY 2016 – FY 2018 for the debt service payments relating to the original 2008 issuance. At that time, those funds are applied to officially retire the 2008 bonds.

Based on current market conditions, SFB estimates there will be approximately \$1.2 million in annual General Fund savings in FY 2016 through FY 2024 in relation to the existing SFB debt service requirements for a total savings of approximately \$10.8 million, as shown in *Table 1*. Depending on market conditions at the time of the issuance, SFB anticipates the actual net savings will vary between \$10.0 million and \$12.0 million. The enacted budget assumed the refinance would generate \$1.7 million in annual savings beginning in FY 2017. Instead, this proposed refinancing would generate \$1.2 million in annual savings starting in FY 2016.

Approximate savings estimates have been submitted by SFB due to current volatility in the bond markets. At this time, bond markets are particularly volatile due to speculation regarding changes in interest rate policy by the Federal Reserve. An increase in interest rates would increase the debt service payments required on the new 2015 refinancing issuance, which would reduce potential state savings.



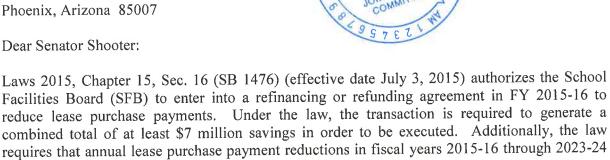
### STATE OF ARIZONA SCHOOL FACILITIES BOARD

**Governor of Arizona** Janice K. Brewer

May 12, 2015

The Honorable Don Shooter, Chairman Joint Committee on Capital Review 1716 West Adams Phoenix, Arizona 85007

Dear Senator Shooter:



**Executive Director** 

Dean T. Gray

45 6

Prior to entering into the agreement, the proposed terms are required to be submitted for review to the Joint Committee on Capital Review (JCCR). As such, please accept this letter and the attached refunding overview presentation from Stifel Nicolaus (dated April 1, 2015) as the SFB request for JCCR review at its next meeting.

may not vary by more than \$1,000,000 in any fiscal year in that period. .

As brief background, the general fund annually appropriated lease purchase payments are debt service for the outstanding State COP obligations for new school facilities funding through the SFB. Under current conditions in the municipal bond market, we believe the proposed refinancing of the Board's Series 2008 Certificates of Participation will meet the minimum savings requirement stated in the law. As of May 8, 2015, the following savings estimates, by fiscal year, were prepared by our financial team:

Fiscal Year Ending	Net Estimated Savings*
2016	1,200,000
2017	1,200,000
2018	1,200,000
2019	1,200,000
2020	1,200,000
2021	1,200,000
2022	1,200,000
2023	1,200,000
2024	1,200,000

\*All savings estimates are subject to market conditions and subject to change

1700 WEST WASHINGTON, SUITE 104, PHOENIX, ARIZONA 85007 Phone: (602) 542-6501 • Fax: (602) 542-6529 • www.azsfb.gov

Under present market conditions, it is currently anticipated that the proposed transaction will save the state general fund approximately \$10,000,000 to \$12,000,000. Additional detail regarding the proposed refunding is enclosed for your review.

Finally, as required by law, this transaction will not be executed by the SFB if we are not able to meet the stated general fund savings criteria. We appreciate your review of the information. Please contact me at 602-542-6143, if you have any questions.

Sincerely,

Dean T. Gray Executive Director

Enclosure

cc: The Honorable Justin Olson, Arizona State Senate Lorenzo Romero, OSPB Michael Williams, OSPB Richard Stavneak, JLBC Jack Brown, JLBC Joshua Hope, JLBC Phil Williams, SFB Grant Hamill, STIFEL

# State of Arizona School Facilities Board

Certificates of Participation Potential 2015 Refunding Information

Grant Hamill, Managing Director ghamill@stifel.com 602-794-4006

Randie Stein, Director rstein@stifel.com 602-794-4002

Sandra Park, Vice President spark@stifel.com 602-794-4010



April 1, 2015

### Topics

Laws 2015, Chapter 15 (SB 1476) Overview of Certificates of Participation Potential Refunding Savings Transaction Timing Overview

#### DISCLOSURE

Pursuant to revised MSRB Rule G-23, a broker, dealer, or municipal securities dealer is prohibited from acting as a Financial Advisor, as defined in Section 15B of the Exchange Act of 1934 (as amended), to an issuer for a particular issue sold on a negotiated or competitive bid basis and subsequently switching roles to act as underwriter or placement agent with respect to the same issue. In compliance with the rules set forth by the MSRB, Stifel, Nicolaus & Company, Incorporated is acting as a Financial Advisor in connection with all services proposed and/or provided to Issuer herein. As such, Stifel will provide financial advisory or consultant services including advice and other assistance regarding the structure, timing, terms and other similar matters concerning the issuance. Stifel, Nicolaus & Company, Incorporated is declaring that it has done so within the regulatory framework of MSRB Rule G-23 as a financial advisor, as defined therein, and not an underwriter to the issuer for this proposed issuance of municipal securities.

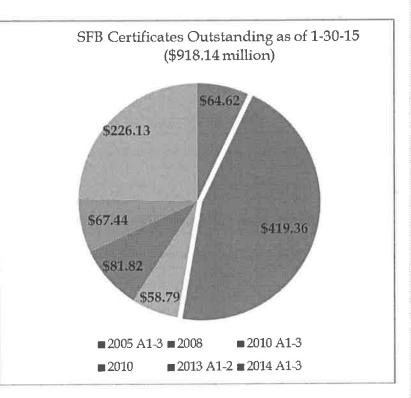
Laws 2015, Chapter 15 (SB 1476)

- Authorizes SFB to enter into refinancing in FY 2015-16
- Requires minimum \$7,000,000 reduction in lease-purchase
   payments
- Requires level savings structure
- Requires prior submittal of proposed terms to JCCR
- Legislation effective 90 days after sine die

## SFB COP Principal Outstanding

## STIFEL

Series	Outstanding	As % of COP
2005 A-1 (Ref)	\$47,495,000	5.17%
2005 A-2 (Ref)	\$16,900,000	1.84%
2005 A-3 (Ref)	\$220,000	0.02%
2008	\$419,360,000	45.67%
2010 A-1 (Ref)	\$11,100,000	1.21%
2010 A-2 (Ref)	\$10,000,000	1.09%
2010 A-3 (Ref)	\$37,685,000	4.10%
2010	\$81,820,000	8.91%
2013 A-1 (Ref)	\$27,920,000	3.04%
2013 A-2 (Ref)	\$39,515,000	4.30%
2014 A-1 (Ref)	\$110,695,000	12.06%
2014 A-2 (Ref)	\$60,390,000	6.58%
2014 A-2 (Ref)	\$55,040,000	5.99%
	\$918,140,000	100.00%



## Certificates of Participation, Series 2008, Callable Maturities

## STIFEL

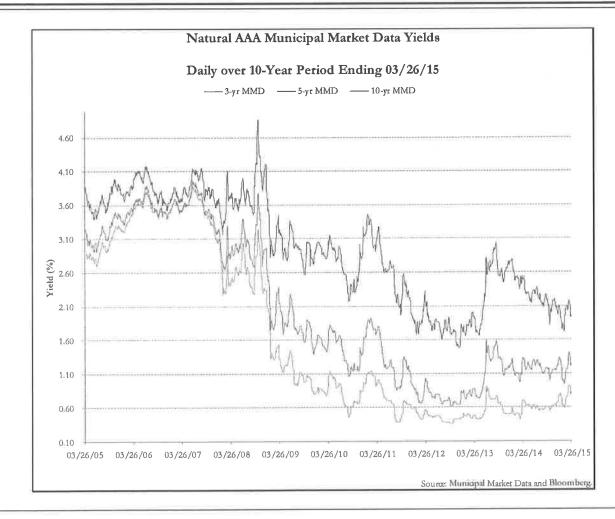
Maturity Date	Par Amount	Coupon	Call Date
9-1-19	\$9,200,000	5.000%	9-1-18
9-1-19	\$10,000,000	5.250%	9-1-18
9-1-19	\$26,995,000	5.750%	9-1-18
9-1-20	\$48,715,000	5.125%	9-1-18
9-1-21	\$10,350,000	5.375%	9-1-18
9-1-21	\$40,940,000	5.125%	9-1-18
9-1-22	\$25,000,000	5.750%	9-1-18
9-1-22	\$29,100,000	5.250%	9-1-18
9-1-23	\$26,670,000	5.500%	9-1-18
9-1-23	\$30,445,000	5.250%	9-1-18
Total	\$257,415,000		

## Refunding Savings Estimates

	Low Savings Estimate	High Savings Estimate
Savings Configuration	Level	Level
Refunded Certificates Par	\$257,415,000	\$257,415,000
Refunding Certificates Par	\$296,900,000	\$297,800,000
All-In True Interest Cost	2.50%	2.00%
Estimated Annual Savings	\$890,000	\$1,870,000
Total Debt Service Savings	\$8,000,000	\$16,900,000
Net Present Value Savings	\$7,000,000	\$15,400,000
% Savings of Refunded Certificates	2.73%	5.96%

### Interest Rate Trend

## STIFEL



ACTIVITY	DATE		
Legislature Sine Die	Early April		
SFB Board Meeting to consider Resolution authorizing sale of Refunding Certificates of Participation	May 6		
Underwriter Selection Process (from State Managing Underwriter Pool)	May 11 – May 29		
Submittal of proposed terms to JCCR for review	TBD		
Credit Rating Agency Calls/Presentations	Week of June 22		
Disclosure Review Call	Week of June 29		
General Effective Date for Legislation	Early July		
Post Preliminary Offering Document for Investors	July 9		
Price Refunding Certificates (subject to market conditions)	Week of July 20		
Transaction Closing	Week of August 3		

STIFEL

ð.

4



#### STATE OF ARIZONA

## Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 74
FROM:	Art Smith, Principal Fiscal Analyst $\mathcal{AS}$
SUBJECT:	Arizona State University - Review of Building Renewal and Renovation Projects

#### Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of \$37.0 million in system revenue bond issuances to fund 3 building renewal and other renovation projects. The bond debt service would be paid from tuition.

#### Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the 3 projects.
- 2. An unfavorable review of the 3 projects.

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

#### Standard University Financing Provisions

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

#### - 2 -

#### Analysis

The \$37.0 million in bond issuances includes building renewal and academic facility renovations. Of this amount \$17.0 million will be for building renewal and campus infrastructure, \$10.0 million will be for classroom and academic renovations and \$10.0 million will be for research laboratory renovations.

#### Financing

The total \$37.0 million for the 3 projects will be issued in summer 2016 with a rating of Aa3 (Moody's)/AA (S&P) at a projected interest rate of 4.11% for a term of 20 years. In addition to project costs, issuance costs are projected to be \$605,000. Annual debt service payments, including principal, will be \$2.8 million beginning in FY 2017 for a 20-year total cost of \$56.4 million. The debt service will be paid from tuition (See Table 2 for a summary of the bond's financing terms).

#### **Construction Costs**

Total project costs are projected to be \$37.0 million, which does not include issuance costs. *Table 1* provides a brief description of each project along with the project's total cost, direct construction costs, square footage and direct construction cost per square foot. The direct cost, excluding items such as design and project management costs, is \$28.4 million.

Table 1				
ASU S	ystem Revenue Bo	nd Projects		
				Direct Cost/
Project	<u>Total Cost</u> <sup>1/</sup>	Direct Cost	<u>Sq. Ft.</u>	<u>Sq. Ft.</u>
Research Laboratory Renovations – All Campuses	\$10,000,000	\$ 6,787,000	25,000	\$271
Classroom Renovations – All Campuses Building Renewal and Campus Infrastructure –	10,000,000	6,787,800	50,000	136
All Campuses	17,000,000	14,802,400	<u>N/A</u>	<u>N/A</u>
Total	\$37,000,000	\$28,377,200	75,000	

#### Research Laboratory Renovations – All Campuses

ASU is planning to renovate approximately 25,000 gross square feet of laboratories throughout all of its campuses for a cost of \$10.0 million (plus estimated issuance costs of \$165,000). ASU states that many existing buildings are inadequate to support current and new research requirements such as adaptive manufacturing at ASU - East and advanced lasers for biotechnology research. Multiple wet and dry laboratory spaces will be upgraded in order to meet these research needs. Additionally, building system upgrades such as HVAC, mechanical, gas lines, electrical and code-required life safety modernization will be made in research laboratories on all ASU campuses. The direct construction cost per square foot is \$271.

#### Classroom Renovations – All Campuses

ASU is planning to renovate 50,000 gross square feet of classroom and academic space throughout all of its campuses for a cost of \$10.0 million (plus estimated issuance costs of \$160,000). This amount will fund building renewal for HVAC, plumbing, electrical systems, interior and exterior paint, roofs, windows, internal walls and partitions, elevators and fire prevention equipment. The direct construction cost per square foot is \$136.

#### Building and Infrastructure Enhancements and Modifications – All Campuses

ASU is planning to update critical building systems within existing facilities and improving infrastructure at all of its campuses for a cost of \$17.0 million (plus estimated issuance costs of \$280,000).

The project will include upgrading, installing and replacing building systems and infrastructure such as fire sprinklers and alarms, HVAC, electrical systems, roof replacement/coating and elevator modernization. Hazardous materials abatement will be performed where necessary. ASU did not provide a direct construction cost per square foot for this project, since the exact scope of the project has yet to be determined.

#### **Recent ASU Building Renewal Projects**

At its September 2014 meeting, the Committee favorably reviewed \$1.1 million from the FY 2015 General Fund building renewal appropriation for HVAC replacement and repair, in addition to upgrades to ASU's Central Plant. The Committee also reviewed \$33.3 million in August 2013 for 3 projects that are similar to the current ASU request, which were financed with University Lottery Revenue bonds.

The state has funded direct General Fund building renewal once since FY 2008 in the form of a \$3.0 million lump sum appropriation to the Arizona Board of Regents (ABOR) in FY 2015. Of that amount, ABOR allocated \$1.1 million to ASU. If funded, the building renewal formula would generate \$40.1 million annually for ASU.

Table 2					
ASU Building Renewal Financing Terms					
Issuance Amount	\$37.0 million				
Issuance Date	Spring 2016				
Issuance Transaction Fees	\$605,000				
Rating	Aa3 (Moody's)/AA (S&P)				
Interest Rate	4.11%				
Term	20 years				
Total Debt Costs	\$56.4 million				
Debt Service Payments	\$2.8 million				
Payment Source	Tuition				
Debt Ratio Increase	0.14%				
ABOR Approval Status	June 3, 2015				
Construction Start	Summer 2015				



May 27, 2015



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

Dear Senator Shooter:

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

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory/Faculty Startup
- Ground Lease with ACC for Development of Third-Party Student Housing at the Tempe campus

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen Executive Vice President, Treasurer and CFO

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER BUSINESS AND FINANCE PO Box 877505, TEMPE, AZ 85287-7505 (480) 727-9920 FAX: (480) 727-9922

#### Joint Committee on Capital Review Arizona State University June 2015 JCCR Meeting

On behalf of the Arizona Board of Regents, ASU requests JCCR review of the following items as required by ABOR policy and ARS 15-1682.02 and 15-1683.

#### **Issuance of Bonds**

ASU plans to undertake bond-financed projects to enhance campus and building infrastructure, and to renovate classrooms, academic spaces, and laboratories. Additional information regarding the projects is shown on the following pages.

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory/Faculty Startup

#### **Indirect and Third-Party Financing**

ASU plans to enter into a ground lease with American Campus Communities (ACC) for development of third-party student housing at the Tempe campus to meet demand for on-campus housing. ACC will provide equity funding to construct a projected 446,000 square foot facility with approximately 1,600 freshman dorm-style beds. The facility also will include a dining hall, classrooms, study space, and other common-use areas. ACC will be responsible for operating and maintaining the facility, with the exception of the dining and classroom space, which ASU will manage.

An Arizona Board of Regents executive summary is attached, which outlines the ground lease terms and other relevant information. The ACC ground lease is scheduled for ABOR approval at its June 4, 2015 meeting, which is the final required ABOR approval for the project.

### 1. BUILDING AND INFRASTRUCTURE ENHANCEMENTS AND MODIFICATIONS

Many campus infrastructure, building life safety, and system capacities are inadequate and cannot meet current research, laboratory or academic requirements. Infrastructure improvement projects preserve University assets and ensure that critical systems supporting academic and research initiatives continue without interruption.

ASU continually updates critical building systems to optimize the use of existing facilities. Building enhancements and modifications will include upgrading, installing and replacing building systems and infrastructure such as fire sprinklers and alarms, HVAC, electrical systems (including switchgear in the Central Plant), roof replacement/coating and elevator modernization. Abatement of hazardous materials will be performed as needed.

This debt-financed project will be funded from \$17,000,000 in system revenue bonds.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its February 4, 2015 meeting, which is the final required ABOR approval for the project.

Project Costs	
Total Project Cost	\$ 17,000,000
Total Project Construction Cost	\$ 14,802,400
Total Project Cost per GSF	\$ n/a
Construction Cost per GSF	\$ n/a

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

#### **Project Delivery Method**

Components of this project will be delivered by the Construction Manager at Risk (CMAR), Job Order Contracting (JOC) and Design Bid Build (DBB) methods, as deemed appropriate by the University.

#### 2. CLASSROOM AND ACADEMIC RENOVATIONS

Classroom and academic space at all campuses will be renovated, creating new classrooms of various sizes and adding instructional and academic support space. Plans call for the renovation of approximately 50,000 gross square feet of classroom and academic space, including faculty and student space.

Building components such as HVAC, plumbing, electrical systems, flooring, ceilings, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in this project. The Classroom and Academic Renovations projects will affect multiple areas at each ASU campus.

This debt-financed project will be funded from \$10,000,000 in system revenue bonds.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its February 4, 2015 meeting, which is the final required ABOR approval for the project.

\$ 10,0	000,000
\$ 6,7	787,805
\$	200
\$	136
	\$ 6,7 \$

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

#### **Project Delivery Method**

Components of this project will be delivered by the Construction Manager at Risk (CMAR), Job Order Contracting (JOC) and Design Bid Build (DBB) methods, as deemed appropriate by the University.

### 3. RESEARCH LABORATORY/FACULTY STARTUP

Research Laboratory/Faculty Startup projects will involve the renovation of approximately 25,000 gross square feet of laboratories to meet the needs of new and current research requirements within existing facilities.

Many existing University laboratories and building systems are inadequate. The poor condition of the space and age of the building systems constrain the development of these strategically important facilities. This project will ensure facility systems can meet research demands and will bring areas into code compliance where required. It will convert inadequate classroom laboratories, research laboratories and research building systems to state-of-the-art research facilities.

Multiple wet and dry lab spaces will be upgraded, as well as infrastructure and building systems, in order to maximize adaptable and flexible technologies. Renovation activities will involve building systems such as HVAC, mechanical, fume hoods, lab gas lines, electrical, and code required life safety upgrades.

This debt-financed project will be funded from \$10,000,000 in system revenue bonds.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its February 4, 2015 meeting, which is the final required ABOR approval for the project.

\$ 10,000,000
\$ 6,787,000
\$ 400
\$ 238

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

#### **Project Delivery Method**

This project may utilize Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) project delivery methods, as deemed appropriate by the University.

### **PROJECT SUMMARY – Revenue Bonds**

Projects:	Funding Sources:	Amou					
Building and Infrastructure Enhancements							
and Modifications	Tuition	\$	17,000,000				
Classroom and Academic Renovations	Tuition		10,000,000				
Research Laboratory/Faculty Startup	Tuition		10,000,000				

### **FINANCING INFORMATION**

System Revenue Bonds: Project Costs Estimated Costs of Issuance Anticipated Bond Rating Assumed Interest Rate Term	\$ 37,000,000 \$ 605,000 Aa3 (Moody's) and AA (S&P) 4.11% 20 years
Debt Service Information: Estimated Annual Debt Service 2017 to 2036 Total Estimated Debt Service Costs DEBT RATIO	\$ 2,821,630 \$ 56,432,600
Debt Ratio on Existing Debt Incremental Debt Ratio Projected Debt Ratio	5.80 0.14 5.94

### Arizona State University System Revenue Bonds

# **Building and Infrastructure Enhancements and Modifications**

					Total
Fiscal Year	P	rincipal	Interest	]	Debt Service
2017	\$	410,000	\$ 887,760	\$	1,297,760
2018		605,000	693,357		1,298,357
2019		630,000	668,491		1,298,491
2020		655,000	642,598		1,297,598
2021		680,000	615,678		1,295,678
2022		710,000	587,730		1,297,730
2023		735,000	558,549		1,293,549
2024		770,000	528,340		1,298,340
2025		800,000	496,694		1,296,694
2026		830,000	463,814		1,293,814
2027		865,000	429,701		1,294,701
2028		900,000	394,149		1,294,149
2029		940,000	357,159		1,297,159
2030		975,000	318,525		1,293,525
2031	1	1,020,000	278,453		1,298,453
2032	1	,060,000	236,530		1,296,530
2033	1	,105,000	192,964		1,297,964
2034	1	,150,000	147,549		1,297,549
2035	1	,195,000	100,284		1,295,284
2036	1	,245,000	51,170		1,296,170
	\$ 17	7,280,000	\$ 8,649,495	\$	25,929,495

### Arizona State University System Revenue Bonds

### **Classroom and Academic Renovations**

		Total								
Fiscal Year	]	Principal		Interest		Debt Service				
2017	\$	240,000	\$	521,970	\$	5 761,970				
2018		355,000		407,712		762,712				
2019		370,000		393,121		763,121				
2020		385,000		377,914		762,914				
2021		400,000		362,091		762,091				
2022		415,000		345,651		760,651				
2023		435,000		328,594		763,594				
2024		450,000		310,716		760,716				
2025		470,000		292,221		762,221				
2026		490,000		272,904		762,904				
2027		510,000		252,765		762,765				
2028		530,000		231,804		761,804				
2029		550,000		210,021		760,021				
2030		575,000		187,416		762,416				
2031		600,000		163,784		763,784				
2032		625,000		139,124		764,124				
2033		650,000		113,436		763,436				
2034		675,000		86,721		761,721				
2035		705,000		58,979		763,979				
2036		730,000		30,003		760,003				
	<b>\$</b> 1	0,160,000	\$	5,086,947	\$	15,246,947				
	-									

Arizona State University System Revenue Bonds

### Research Laboratory/Faculty Startup

				Total
Fiscal Year	F	Principal	Interest	Debt Service
2017	\$	240,000	\$ 522,227	\$ 762,227
2018		355,000	407,917	762,917
2019		370,000	393,327	763,327
2020		385,000	378,120	763,120
2021		400,000	362,296	762,296
2022		415,000	345,857	760,857
2023		435,000	328,800	763,800
2024		450,000	310,922	760,922
2025		470,000	292,427	762,427
2026		490,000	273,110	763,110
2027		510,000	252,971	762,971
2028		530,000	232,010	762,010
2029		550,000	210,226	760,226
2030		575,000	187,621	762,621
2031		600,000	163,989	763,989
2032		625,000	139,329	764,329
2033		650,000	113,641	763,641
2034		675,000	86,926	761,926
2035		705,000	59,184	764,184
2036		735,000	30,208	765,208
	\$ 1	0,165,000	\$ 5,091,108	\$ 15,256,108

# EXHIBIT 1

Project	Board Approval Status	Gross Square Footage	Project Cost Amount Finan			nount Financed	Funding Method	Annual	Debt Ratio	
New Academic/Support Projects										
ASU-Building and Infrastructure Enhancements and Modifications	CIP Sept 14	N/A	\$	17,000,000	\$	17,000,000	System Revenue Bonds	\$	1,364,100	0.06%
ASU-Classroom and Academic Renovations	CIP Sept 14	50,000	\$	10,000,000	\$	10,000,000	System Revenue Bonds	\$	802,400	0.04%
ASU-Research Laboratory/Faculty Startup (SPEED)	CIP Sept 14	25,000	\$	10,000,000	\$	10,000,000	System Revenue Bonds	\$	802,400	0.04%
New Academic/Support Projects Total		75,000	\$	37,000,000	\$	37,000,000		\$	2,968,900	0.14%
Previously Approved Auxiliary Project										
ASUT-Sun Devil Stadium Renovation-Phase 2 and 3	Amended CDP Sept 14	850,000	\$	190,300,000	\$	140,000,000	System Revenue Bonds/Gifts	\$	11,299,000	0.42%
Previously Approved Auxilary Project Total		850,000	\$	190,300,000	\$	140,000,000		\$	11,299,000	0.42%
folal		92(5),000	5	227,300,000	\$	177,000,000		STOL	14/267/900	0.56%

# EXHIBIT 2

		Contraction of the Inc.			on the second				NG SOUR					1223	
Project	Am	ount Financed	3	01		τυι	AUX	ICR	OLF	SLP	FGT	DFG	отн	TOTA	L ANNUAL DEBT SERVICE
New Academic/Support Projects												1		-	
ASU-Building and Infrastructure Enhancements and Modifications	\$	17,000,000				\$1,364,100								\$	1,364,100
ASU-Classroom and Academic Renovations	\$	10,000,000				\$802,400								\$	802,400
ASU-Research Laboratory/Faculty Startup	\$	10,000,000				\$802,400								\$	802,400
Total New Academic/Support Projects	\$	37,000,000	\$	-	\$	2,968,900	\$ -	\$ -	\$ -	\$-	\$ -	\$ -	\$ -	\$	2,968,900
Previously Approved Auxiliary Projects ASUT-Sun Devil Stadium Renovation Phases 2 and 3	\$	140,000,000					\$ 11,299,000							\$	11,299,000
Total Previously Approved Auxiliary Projects	\$	140,000,000					\$ 11,299,000							\$	11,299,000
Total	13	177 000,000			l.s	2,958,900.	\$ 11,299,000		1 19 10	A DALLAR	A COLOR		12 2 4 2	150	14,267,900

	, - C	CAPITAL DEVELOPMENT PLAN - OPERATION AND MAINTENANCE BY FUNDING SOURCE																					
Project	TOTAL	ANNUAL 0&M	30	11		TUI			AUX	IC	R	OL	.F	GF	4	FG	Т	DF	G	от	H _	TOTALA	INUAL 08M
New Academic/Support Projects															_								
ASU-Building and Infrastructure Enhancements and Modifications		N/A										_					_		_	_			
ASU-Classroom and Academic Renovations		N/A																		7.) 			
ASU-Research Laboratory/Faculty Startup		N/A																					
Total New Academic/Support Projects	\$		\$	•	\$		-	\$	-	\$		\$	٠	\$	•	\$		\$		\$		\$	3
Previously Approved Auxiliary Projects																					_		_
ASUT-Sun Devil Stadium Renovation Phases 2 and 3	\$	1,600,000						\$	1,600,000														1,600,000
Total Previously Approved Auxiliary Projects	\$	1,600,000	\$		\$			\$	1,600,000	\$	•	\$	•	\$	s.,	\$		\$	-	\$	-		1,600,000
In the second	5	1,600,000	5		\$	THE REAL	1	5	1,600,000	51	HA.	\$	7656	S		\$	11	5	120	1	200	3	1,600,000

Debt Service Funding Source Codes:

(301) 301 Fund/Other (TUI) Tuition (AUX) Auxiliary (ICR) Indirect Cost Recovery (GFA) General Fund Appropriation (OLF) Other Local Funds (FGT) Federal Grant (SLP) State Lottery Allocation Proceeds(DFG) Debt Financed by Gifts

(OTH) Other

### Arizona Board of Regents Arizona State University Capital Development Plan Project Justification Report Building and Infrastructure Enhancements and Modifications

#### Previous Board Action:

• FY 2016-2017 Capital Improvement Plan

September 2014

#### Statutory/Policy Requirements

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

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

- Many components of the ASU built environment are not capable of supporting additional functions required by the University to carry out its mission of research and academic excellence. Building envelope and site components either must be replaced or brought up to a condition that ensures protection from outside elements. The primary institutional priorities supported by this project include:
  - Key ABOR enterprise metrics: Achieve a 50 percent increase in degree production and expanding research performance to \$700 million in research expenditures. Many campus infrastructure and building life safety and system capacities are inadequate and cannot meet current research, laboratory or academic requirements. Infrastructure improvement projects ensure that critical systems supporting academic and research initiatives continue without interruption.
  - Campus Operations and Infrastructure Priorities. These projects not only will enhance the quality of campus infrastructure and systems, but also will keep the University in compliance with code requirements for safety, and address ABOR directives to reduce deferred maintenance. Projects essential for life safety/code compliance and University strategic initiatives have been given top priority.

#### **Project Description/Scope/Project Compliance with Space Standards:**

 This project is planned to upgrade, install and replace building systems and infrastructure such as fire sprinklers and alarms; HVAC, electrical (including reliability and redundancy upgrades), exhaust, chilled water and steam systems; exterior brick re-pointing; roof replacement/coating; and re-caulking windows and building joints. Abatement of hazardous materials will be performed as needed. Campus infrastructure enhancements may include site improvements for tunnels, malls, lighting, street repair and realignment, pedestrian control enhancements, parking, site drainage and retention.

#### **Project Delivery Method and Process:**

- CMAR, JOC and Design/Bid/Build delivery methods will be utilized on the projects. The delivery method will be selected based upon the needs of the individual project.
- ASU has not yet selected a CMAR, JOC contractor or design professional firm for any components of this project at this time. CMAR or JOC contractors and design professionals will be selected according to ABOR policy and Arizona law.

#### Project Costs:

- The budget for this project bundle is \$17,000,000.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- Comparable costs for these projects cannot be determined at this conceptual stage. Costs have been determined based on preliminary estimates using a combination of recent ASU construction projects and the nationally-recognized estimating program RS Means.
- For project components selected to use the CMAR delivery method, the CMARs, when selected, will be at risk to provide the completed project components within the agreed upon Guaranteed Maximum Price (GMP). A final report on project control procedures, such as change orders and contingency use, will be provided at project completion.

#### **Project Status and Schedule:**

- These projects are in the conceptual phase.
- Design Professionals (DPs) have not been selected. Design will be complete approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when all approvals are in place and will be completed within 36 months.

#### Fiscal Impact and Financing Plan:

- These projects will be funded with system revenue bonds. The debt-financed portion is currently anticipated to total \$17 million. Debt service will be paid from tuition revenue.
- The projects are not anticipated to require an increase in operations and maintenance costs.
- Debt ratio impact: The projected incremental debt ratio impact for the projects would be 0.06 percent.

#### **Occupancy Plan:**

• This project will not affect occupancy or programs, but will renew building and campus infrastructure and life/safety systems.

#### Backfill Plan:

• There is no backfill required for the projects.

#### Alternatives:

• There are no alternatives to the projects.

#### Description of Other Related Projects Including Infrastructure Improvements:

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

Board of Regents Meeting February 5, 2015 Item #11 Page 10 of 21

#### EXECUTIVE SUMMARY

### **Capital Project Information Summary**

University: Arizona State University

Project Name: Building and Infrastructure Enhancements and Modifications

### Project Description and Location:

These projects will upgrade, install and replace building systems and infrastructure at all ASU campuses.

Project Schedule: Planning Design Construction Occupancy	Septemb February May April	
Project Budget: Total Project Cost Total Project Construction Cost Total Project Cost per GSF Construction Cost per GSF Change in Annual O & M Cost: Utilities Personnel All Other Operating Subtotal Funding Sources:		00,000 02,400 n/a n/a 0 0 0 0
Capital A. System Revenue Bonds Funding Source for Debt Service		0,000
Operation/Maintenance Funding Sources: Not applicable	\$	0

### Capital Project Budget Summary

University: Arizona State University	Project:	Building and Infrastructure Enhancements and Modifications
	Capital Development Plan	Project Approval
Capital Costs 1. Land Acquisition 2. Construction Cost A. New Construction	\$ 7,482,400	
B. Renovation C. Special Fixed Equipment	φ 1,402,400	
D. Site Development (excl. 2.E.)	3,100,000	
E. Parking and Landscaping F. Utilities Extensions	1,500,000	
G. Other* (Demolition)	2,000,000	
Subtotal Construction Cost	\$ 14,082,400	\$ -
3. Fees		
A. Construction Mgr	\$ 207,000	
B. Architect/Engineer	1,656,000 25,000	
C. Other Subtotal Consultant Fees	\$ 1,888,000	- <u>\$</u> -
<ol> <li>FF&amp;E Movable</li> <li>Contingency, Design Phase</li> <li>Contingency, Constr. Phase</li> <li>Parking Reserve</li> </ol>	\$-	
8. Telecommunications Equipment		-
Subtotal Items 4-8	\$ -	\$ -
<ol> <li>Additional University Costs</li> <li>A. Surveys, Tests, Haz. Mat. Abatement</li> </ol>	\$ 5,000	
B. Move-in Costs C. Printing Advertisement		
D. Keying, signage, facilities support	25,000	
E. Project Management Cost (2%)	942,956	
F. State Risk Mgt. Ins. (.0034 **) Subtotal Addl. Univ. Costs	56,644 \$ 1,029,600	\$ -
Total Capital Cost	\$ 17,000,000	
i olai vapilai vost	ψ 17,000,000	

\* Universities shall identify items included in this category

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

#### Arizona Board of Regents Arizona State University Capital Development Plan Project Justification Report Classroom and Academic Renovations

#### **Previous Board Action:**

FY 2016-2017 Capital Improvement Plan

September 2014

#### Statutory/Policy Requirements

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

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

- The primary institutional priorities supported by the project include:
  - Key ABOR enterprise metrics: Achieve a 50 percent increase in degree production and expanding research performance to \$700 million in research expenditures. The ASU Strategic Enterprise Framework identifies several imperatives in reaching this goal, including improving retention and graduation performance, curricular reform, and improved student outcomes. Resources needed to achieve these ends include continued investment in faculty as well as space renovations to support teaching innovations. These projects will provide renovated space and growth space for academic programs, allowing better student/faculty interaction and learning experiences. The work will create attractive spaces for student learning, and renovate worn areas that distract from learning and teaching, resulting in improved and updated space for new faculty hires.

These projects will enhance the quality of the buildings, with improved space for faculty and better classroom experiences for students, keep the University in compliance with code requirements for safety, and address ABOR directives to reduce deferred maintenance. Projects essential for life safety/code compliance and University strategic initiatives have been given top priority.

These renovation projects will play a significant role in the ASU goal of improving University cost effectiveness. The project will allow the University to control costs through innovation and use of technology, the consolidation of administrative operations in academic units, and by employing learning studio methods for mathématics and writing programs.

### Project Description/Scope/Project Compliance with Space Standards:

ASU intends to renovate existing classrooms, create new classrooms of various sizes and add smaller instructional spaces at all campuses. Plans call for the renovation of approximately 50,000 gross square feet of classrooms and academic space, including faculty and student space. Building components such as HVAC, plumbing, electrical systems, flooring, ceilings, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in this project. The Classroom and Academic Renovations projects bundle will comprise multiple components at each ASU campus.

#### **Project Delivery Method and Process:**

- CMAR, JOC and Design/Bid/Build delivery methods will be utilized on the projects. The delivery method will be selected based upon the needs of the individual project.
- ASU has not yet selected a CMAR, JOC contractor or design professional firm for any components of this project at this time. CMAR or JOC contractors and design professionals will be selected according to ABOR policy and Arizona law.

#### **Project Costs:**

- The budget for this project bundle is \$10,000,000.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- Comparable costs for these projects cannot be determined at this conceptual stage. Costs have been determined based on preliminary estimates using a combination of recent ASU construction projects and the nationally-recognized estimating program RS Means.
- For project components selected to use the CMAR delivery method, the CMARs, when selected, will be at risk to provide the completed project components within the agreed upon Guaranteed Maximum Price (GMP). A final report on project control procedures, such as change orders and contingency use, will be provided at project completion.

#### **Project Status and Schedule:**

- These projects are in the conceptual phase.
- Design Professionals (DPs) have not been selected. Design will be complete approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when all approvals are in place and will be completed within 36 months.

#### Fiscal Impact and Financing Plan:

- These projects will be funded with system revenue bonds. The debt-financed portion is currently anticipated to total \$10 million. Debt service will be paid from tuition revenue.
- The projects are not anticipated to require an increase in operations and maintenance costs.
- Debt ratio impact: The projected incremental debt ratio impact for the projects would be 0.04 percent.

#### **Occupancy Plan:**

• This project will not affect occupancy or programs, but will renew building and campus infrastructure and life safety systems.

#### **Backfill Plan:**

• There is no backfill required for the projects.

#### Alternatives:

• There are no alternatives to the projects.

#### Description of Other Related Projects Including Infrastructure Improvements:

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

Board of Regents Meeting February 5, 2015 Item #11 Page 15 of 21

### **Capital Project Information Summary**

University: Arizona State University

**Project Name:** Classroom and Academic Renovations

#### Project Description and Location:

This set of projects will include the renovation of approximately 50,000 square feet of various academic spaces at all ASU campuses. It will include upgrading building systems to maximize adaptable and flexible technologies.

#### Project Schedule:

Planning Design Construction Occupancy	Fe M	eptember ebruary ay oril	2014 2015 2015 2018
Project Budget:			
Total Project Cost	\$	10,000,00	no
Total Project Construction Cost	\$	6,787,80	
Total Project Cost per GSF	\$	, ,	00
Construction Cost per GSF	\$	1:	36
Change in Annual O & M Cost:			
Utilities	\$		0
Personnel			0
All Other Operating			0
Subtotal	\$	а; Т	0

### **Funding Sources:**

Capital

- A System Revenue Bonds \$ 10,000,000 Funding Source for Debt Service: Tuition
- Operation/Maintenance \$ 0 Funding Sources: Not applicable

### **Capital Project Budget Summary**

<u>University:</u> Arizona State University	Project:	Classroom and Academic Renovations
.31	Capital Development Plan	Project Approval
Capital Costs 1. Land Acquisition 2. Construction Cost A. New Construction B. Renovation C. Special Fixed Equipment D. Site Development (excl. 2.E.) E. Parking and Landscaping F. Utilities Extensions G. Other* (Demolition)	\$ 6,437,805 350,000	18
Subtotal Construction Cost	\$ 6,787,805	\$ -
<ul> <li>3. Fees</li> <li>A. Construction Mgr</li> <li>B. Architect/Engineer</li> <li>C. Other</li> <li>Subtotal Consultant Fees</li> </ul>	\$ 94,875 633,000 \$ 727,875	\$ -
<ol> <li>FF&amp;E Movable</li> <li>Contingency, Design Phase</li> <li>Contingency, Constr. Phase</li> <li>Parking Reserve</li> <li>Telecommunications Equipment</li> <li>Subtotal Items 4-8</li> </ol>	\$ 220,000 275,000 620,000 750,000 \$ 1,865,000	\$
<ul> <li>9. Additional University Costs <ul> <li>A. Surveys, Tests, Haz. Mat. Abatement</li> <li>B. Move-in Costs</li> <li>C. Printing Advertisement</li> <li>D. Keying, signage, facilities support</li> <li>E. Project Management Cost (2%)</li> <li>F. State Risk Mgt. Ins. (.0034 **)</li> </ul> </li> <li>Subtotal Addl. Univ. Costs <ul> <li>Total Capital Cost</li> </ul> </li> </ul>	\$ 170,000 36,000 5,000 75,000 300,000 33,320 \$ 619,320 \$ 10,000,000	\$ \$

\* Universities shall identify items included in this category

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

#### Arizona Board of Regents Arizona State University Capital Development Plan Project Justification Report Research Laboratory/Faculty Startup

#### Previous Board Action:

FY 2016-2017 Capital Improvement Plan

September 2014

#### Statutory/Policy Requirements

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

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

 Many existing University laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of the spaces and age of the building systems constrain the development of these strategically important areas. This project will ensure facility systems can meet research demands and will keep areas within code compliance. It will convert inadequate classroom laboratories, research laboratories and research building systems to state-of-the-art research facilities.

The primary institutional priorities supported by this project include:

Key ABOR enterprise metrics: Achieve a 50 percent increase in degree production and expanding research performance to \$700 million in research expenditures Positioning ASU as a national comprehensive university and establishing national standing in academic quality and impact of colleges and schools in every field. Specific strategic targets include 1) doubling of research to \$700 million annually, and 2) integration of the teaching, learning and discovery mission into the Phoenix urban fabric and outstate Arizona.

Increasing research activity and the resultant arrival of new faculty continues to make laboratory renovation projects an imperative. Spaces must be updated and renovated for the needs of incoming researchers, and following successful grant applications. These laboratories will provide the core infrastructure from which faculty and students can compete in the global marketplace of ideas, stimulating not only advances in science and human health needs, but potentially stimulating the regional economy.

	Board of Regents Meeting
	February 5, 2015
	Item #11
EXECUTIVE SUMMARY	Page 18 of 21

**C D** 

#### **Project Description/Scope/Project Compliance with Space Standards:**

 Research Laboratory/Faculty Startup projects will involve the renovation of approximately 25,000 gross square feet of laboratories to meet the needs of new and current research requirements within existing facilities. Multiple wet and dry lab spaces will be upgraded, as well as infrastructure and building systems, in order to maximize adaptable and flexible technologies. Renovation activities will involve building systems such as HVAC, mechanical, fume hoods, lab gas lines, electrical, and code required life safety upgrades.

#### **Project Delivery Method and Process:**

- CMAR, JOC and Design/Bid/Build delivery methods will be utilized on the projects. The delivery method will be selected based upon the needs of the individual project.
- ASU has not yet selected a CMAR, JOC contractor or design professional firm for any components of these projects at this time. CMAR or JOC contractors and design professionals will be selected according to ABOR policy and Arizona law.

#### **Project Costs:**

- The budget for this project bundle is \$10,000,000.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- Comparable costs for these projects cannot be determined at this conceptual stage. Costs have been determined based on preliminary estimates, using a combination of recent ASU construction projects and the nationally-recognized estimating program RS Means.
- For project components selected to use the CMAR delivery method, the CMARs, when selected, will be at risk to provide the completed project components within the agreed upon Guaranteed Maximum Price (GMP). A final report on project control procedures, such as change orders and contingency use, will be provided at project completion.

#### **Project Status and Schedule:**

- These projects are in the conceptual phase.
- Design Professionals (DPs) have not been selected. Design will be complete approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when all approvals are in place and will be completed within 36 months.

#### **Fiscal Impact and Financing Plan:**

- These projects will be funded with system revenue bonds. The debt-financed portion is currently anticipated to total \$10 million. Debt service will be paid from tuition revenue.
- The projects are not anticipated to require an increase in operations and maintenance costs.
- Debt ratio impact: The projected incremental debt ratio impact for the projects is 0.04 percent.

#### Occupancy Plan:

• This project bundle will not affect occupancy or programs, but will renew building and campus infrastructure and life safety systems.

#### Backfill Plan:

• There is no backfill required for the projects.

#### Alternatives:

• There are no alternatives to the projects.

### Description of Other Related Projects Including Infrastructure Improvements:

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

Board of Regents Meeting February 5, 2015 Item #11 Page 20 of 21

### **Capital Project Information Summary**

**University:** Arizona State University

**Project Name:** Research Laboratory/Faculty Startup

#### **Project Description and Location:**

This project bundle will convert approximately 25,000 gross square feet of inadequate classroom laboratories, research laboratories and research building systems to state-of-the-art research facilities.

<u>Project Schedule:</u> Planning Design Construction Occupancy	Fe M	eptember ebruary ay oril	2014 2015 2015 2018
<u>Project Budget:</u> Total Project Cost Total Project Construction Cost Total Project Cost per GSF Construction Cost per GSF	\$ \$ \$ \$ \$	10,000,00 6,787,00 40 23	00 00
Change in Annual O & M Cost: Utilities Personnel All Other Operating Subtotal	\$		0 0 0 0
Funding Sources: Capital			
A System Revenue Bonds Funding Source for Debt Service: Tu	\$ itio	10,000,00 n	0
Operation/Maintenance	\$	(	C

Funding Sources: Not applicable

#### Capital Project Budget Summary

University: Arizona State University		Research aboratory/Faculty Startup
	Capital Development Plan	Project Approval
Capital Costs 1. Land Acquisition 2. Construction Cost A. New Construction B. Renovation C. Special Fixed Equipment D. Site Development (excl. 2.E.) E. Parking and Landscaping F. Utilities Extensions G. Other* (Demolition)	\$ 6,437,805 350,000	
Subtotal Construction Cost	\$ 6,787,805	\$ -
<ul> <li>3. Fees</li> <li>A. Construction Mgr</li> <li>B. Architect/Engineer</li> <li>C. Other</li> <li>Subtotal Consultant Fees</li> </ul>	\$ 94,875 633,000 \$ 727,875	\$
<ol> <li>FF&amp;E Movable</li> <li>Contingency, Design Phase</li> <li>Contingency, Constr. Phase</li> <li>Parking Reserve</li> <li>Telecommunications Equipment</li> <li>Subtotal Items 4-8</li> </ol>	\$         220,000           275,000         620,000           750,000         750,000           \$         1,865,000	\$
<ul> <li>9. Additional University Costs <ul> <li>A. Surveys, Tests, Haz. Mat. Abatement</li> <li>B. Move-in Costs</li> <li>C. Printing Advertisement</li> <li>D. Keying, signage, facilities support</li> <li>E. Project Management Cost (2%)</li> <li>F. State Risk Mgt. Ins. (.0034 **)</li> </ul> </li> <li>Subtotal Addl. Univ. Costs <ul> <li>Total Capital Cost</li> </ul> </li> </ul>	\$ 170,000 36,000 5,000 75,000 300,000 33,320 \$ 619,320 \$ 10,000,000	\$ \$

\* Universities shall identify items included in this category

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



#### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
то:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 725
FROM:	Art Smith, Principal Fiscal Analyst AS

SUBJECT: Arizona State University and Northern Arizona University - Review of Housing Indirect Financing Projects

#### Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third party financing). Arizona State University (ASU) requests Committee review of a ground lease for one 1,600-bed residence hall at its Tempe Campus for a total of \$115.0 million. Northern Arizona University (NAU) requests Committee review of a second addendum to the ground lease agreements for one 620-bed additional residence hall with an adjacent parking garage on the Flagstaff campus for a total of \$55.0 million. The proposed NAU parking garage project will contain 690 spaces.

#### Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the ASU and NAU ground leases.
- 2. An unfavorable review of the ASU and NAU ground leases.

With a favorable review, the Committee may want to consider the following provisions:

A. A favorable review does not constitute endorsement of any level of General Fund appropriations for operating expenses.

The proposed projects are funded with dorm fees. In the case of the NAU project, additional monthly fees will be collected for use of the 690-space parking garage, of which 259 spaces are dedicated to NAU faculty and staff. NAU has proposed that it retain the monthly fees collected for the staff parking spaces instead of allowing the third-party vendor to collect them. As a result, dorm fees are effectively being used to subsidize the cost of the faculty and staff parking spaces.

#### Analysis

#### ASU Dormitory Construction

American Campus Communities (ACC) was originally selected through a Request for Proposals (RFP) in 2006 to construct third-party student housing at its Tempe campus. In March 2015, ASU entered into a supplemental MOU for the redevelopment of Palo Verde Main residence hall.

ACC currently operates 6 residences on the ASU Tempe Campus and 1 residence on the ASU - West Campus. The most recent Committee review of an indirect financing project on Tempe Campus occurred in April 2011 for the Ocotillo and Manzanita Residence Halls.

ASU would enter into a ground lease with ACC for the construction of a new Palo Verde Main residence hall to house freshmen enrolled in the Fulton School of Engineering (FSE) on the Tempe campus. The existing Palo Verde Main residence hall would be demolished and replaced by the proposed hall. ACC would fund all costs of the projects, with the exception of ASU's vendor for dining services within the residence hall. The ground lease between the university and the third party would be for a period of 65 years, with two 10-year extension options.

During the lease period, the third-party vendor (ACC) would operate and maintain the facility through an on-site general manager, with the exception of the dining and classroom space, which would be managed by ASU. However, ASU would provide programming and staffing for the facility. The university does not have any obligation to financially support the facilities, with exception of the dining and classroom spaces, and they do not have to guarantee occupancy. ASU would receive lease revenue from ACC based on a percent of gross revenue at the facility, which will depend on dorm rates and occupancy. In the first year of operation, ASU expects to receive \$400,000 of lease revenue from ACC.

The current Palo Verde Main residence hall was originally constructed in 1957 and houses 555 freshmen enrolled in FSE. ASU states that overall enrollment at FSE has grown by from 8,500 in 2009 to 16,500 in 2014. During that same period, freshmen enrollment has more than doubled from 1,000 in 2009 to 2,200 in FY 2014. The proposed replacement facility would accommodate approximately 1,600 freshmen in fall 2017 to meet the demand for on-campus housing.

The total cost of the project is estimated at \$115.0 million, which ACC plans to pay with 35% cash and 65% debt funding. As the operator of the facilities, ACC would fund their debt service from dorm fees. The dorm rates for the new Palo Verde Main have not yet been determined. However, the current monthly dorm rate for Palo Verde Main is \$635 per month. Additionally, ASU's food service vendor will also contribute to the construction cost of Palo Verde Main; however, that cost has not yet been determined.

The cost per bed for the Palo Verde Main project is \$71,900. For comparison, the most recent ground lease between the university and ACC had a \$54,300 cost per bed for the Ocotillo Hall and \$61,800 for Manzanita Hall.

(Continued)

#### NAU Dormitory Construction

As the result of an RFP selected in May 2009, NAU selected ACC to construct and operate 2 residence halls with up to 1,126 beds on the Flagstaff campus. These residence halls were favorably reviewed by JCCR at its April 2011 meeting, and had a total cost of \$68.0 million. Construction of the 2 residence halls, McConnell Suites and Hilltop Townhomes, began in May 2011 and was completed in August 2012.

At its August 2013 meeting, the Committee favorably reviewed an NAU addendum to their ground lease with ACC for development of 2 additional residence wings at a cost of \$24.7 million. These 2 additional wings added 328 beds to McConnell Suites and were completed in August 2014.

The current proposal from NAU would result in a second addendum to the ground lease with ACC, and would construct 1 additional residence hall to the Hilltop Townhomes totaling 620 beds and an adjacent 4-story parking garage consisting of 690 spaces at a total cost of \$55.0 million.

The new Hilltop wing would have a 40-year lease period with four 10-year extension options. Combined with the original residence hall projects, the university estimates they would receive about \$900,000 in annual rent payments from ACC for the ground leases, of which \$305,000 would result from the new project.

During the lease period, the third-party vendor (ACC) would operate and maintain the facilities, which will provide them with an opportunity to recoup their capital investment. ACC would receive monthly rent directly. NAU does not have any obligation to financially support the facilities, and they do not have to guarantee occupancy. NAU would, however, share in any revenues generated above the occupancy rate as expected by ACC. This provision of the lease agreement would be similar to the revenue sharing provision for the units built in August 2012 and August 2014, when ACC agreed to pay 10% of gross revenue received for occupancy that exceeds the annual projection; however, this agreement between NAU and ACC has not yet been finalized.

NAU's Flagstaff campus currently has 8,240 housing units that are between 3 and 60 years old, of which approximately 4,700 beds are designated for first-year students. NAU states that the previous 1,454 beds constructed through the original ground lease with ACC and the 2013 addendum are currently at 99% occupancy. The proposed 620 beds to the Hilltop Townhomes would serve sophomores, juniors, and seniors. The combined cost for the residence hall project is estimated to be \$55.0 million, which ACC pays with 25% cash and 75% debt funding. This is the same financing plan that ACC used to pay for the 2011 and 2013 projects.

In terms of the 620-bed Hilltop Townhomes project, the estimated cost is \$46.8 million, or \$75,500 per bed. For comparison, the cost per bed for the initial Hilltop Townhomes construction at NAU in 2011 was \$35.7 million, or \$62,000 per bed. As the operator of the facilities, ACC would fund their debt service from dorm fees. The dorm rates for the new residence hall will be between \$707 and \$728 per month with an additional \$35 per month charge for students to use the parking garage. The current monthly rate for the Hilltop Townhomes is between \$654 and \$673.

In terms of the proposed 690-space parking garage project, 431 of the spaces would be designated for Hilltop residents and 259 would be designated to NAU faculty and staff. Like the students, NAU faculty and staff would also pay a monthly charge of \$35 for use of the parking garage. NAU has proposed that it retain the monthly fees collected for the staff parking spaces instead of allowing ACC to collect them. As a result, dorm fees are effectively being used to subsidize the cost of the faculty and staff parking spaces. The total construction cost for the parking garage is \$8.2 million or, \$11,800 per space, which is below the median cost per space in Phoenix.



Office of the Vice President for Finance and Administration Northern Arizona University PO Box 4088 Flagstaff, AZ 86011-4088

May 28, 2015

The Honorable Don Shooter, Chairman Joint Committee on Capital Review Arizona State Senate 1700 W. Washington Phoenix, AZ 85007-2890



928.523.2708

928.523.4230 fax

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

Dear Senator Shooter:

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

• Ground lease with American Campus Communities for the development of a privatized residence hall on the Flagstaff campus.

Enclosed is the pertinent information relating to this item. This project is on ABOR's upcoming agenda for approval. If you have any questions or need additional clarifications regarding the enclosed information, please contact me at (928) 523-8871.

Sincerely,

Jennus L. Burton Vice President for Finance and Administration

Attachment

cc: Richard Stavneak, Director, JLBC Art Smith, JLBC Analyst Eileen Klein, ABOR President Lorenzo Martinez, Associate Vice President, ABOR Rita Cheng, President Christy Farley, Vice President, Government Affairs Jane Kuhn, Vice President, Enrollment Management & Student Affairs

### Item Name: Ground Lease with American Campus Communities for Development of Privatized Residence Hall (NAU)

Action Item Discussion Item Information Item

**Issue**: Northern Arizona University (NAU) requests approval to execute a ground lease with American Campus Communities (ACC) for the development of a privatized residence hall project on the Flagstaff Campus.

#### **Previous Board Action:**

FY 2016 – 2018 Capital Improvement Plan FY 2016 Capital Development Plan September 2014 June 2015

#### Statutory/Policy Requirements:

- Board Policy 7-102.B.3 requires Committee review and Board approval of projects shared with outside entities such as third-parties.
- Board Policy 7-207 requires Committee review and Board approval for the lease of real property.

#### Project:

American Campus Communities development and construction of a new privatized residence hall on the Northern Arizona University Flagstaff campus (to be called Runke Drive Student Apartments).

#### **Project Justification**

In the spring of 2008, NAU initiated a Request for Proposals process to select a thirdparty student housing development partner for the Flagstaff Campus. NAU ultimately selected American Campus Communities (ACC) as the exclusive student housing developer at the Flagstaff campus. ACC currently operates 1,454 beds on NAU's Flagstaff campus. The first two projects with ACC, The Suites I and Hilltop Townhomes, were completed in August of 2012, which created a total of 1,126 beds. In September 2013 NAU and ACC amended The Suites I ground lease adding The Suites II, a 328 bed facility. The Suites II opened in August 2014. The three projects have been operating at a 99% occupancy level since opening.

The campus currently contains 7,114 housing units (available beds) that are in aging facilities. A large portion of the existing inventory, approximately 4,700 beds, is reserved for first-year students. The new projects are intended for sophomores, juniors, seniors, and graduate students.

#### Contact Information:

Jennus Burton, Vice President, (928) 523-8871, jennus.burton@nau.edu Jane Kuhn, Vice President, (928) 523-7732, jane.kuhn@nau.edu These projects meet NAU's strategic goals of:

- Increasing recruitment and retention by providing on-campus housing options with academic and other support programs shown to improve student success.
- Helping meet the University's 2020 enrollment goal of 25,000 students on the Flagstaff campus by providing the needed housing component to enable NAU to be a premier residential campus.
- Supporting the university mission to provide an outstanding undergraduate residential education. This past fall semester, NAU had over 600 triple-occupancy rooms and over 100 students in temporary spaces at the beginning of the semester. As the entering class continues to grow, more upperclassmen are being displaced from NAU housing. This project provides for additional housing for upperclassmen which allows for NAU-owned beds to convert to freshman beds at a higher rate. Projections for incoming transfer and international students support a need for additional housing units.
- Aligning university facilities with the campus master plan approved by the Board in September 2010 and contributing to creating a more workable, livable and sustainable campus.

#### **Project Description and Scope:**

Through its agreement with NAU, ACC will construct new apartment style housing on the Flagstaff campus. The project is proposed to be 620 beds and serve non-first-year residents. There are no occupancy guarantees by the University.

The project will be constructed to standards comparable to the most recent NAU residence halls, and will be maintained throughout the lease term in Class A condition. Construction documents are subject to NAU approval with input from a third-party group for Fire Life Safety.

In addition, a four-story parking structure will be constructed by ACC as part of this project. The number of stalls is still to be determined but is estimated to be 706 spaces.

The project will include a landscaped courtyard and amenity spaces throughout the site. Amenity spaces include a Community Center space which includes: lobby/leasing area, social room, game room, computer lab, mail area and fitness located at the ground level.

Pending ABOR approval to enter into a Ground Lease and favorable review from JCCR, the project will begin construction in January 2016 with an anticipated completion date of August 2017.

#### **Project Cost/Financial Structure:**

- **Operating Expenses** ACC is responsible for all costs and expenses of operating and maintaining the project, including reasonable reserve deposits. Minimum Standards of Operation (both maintenance and staffing) are defined as equal to "Class A" privatized student housing.
- Management ACC will provide the residential life programming and staffing, as well as enforce the NAU student code of conduct and refer violators to the NAU student judicial system. ACC will also employ a general manager and maintenance staff. ACC and NAU has jointly established an Advisory Committee responsible for the day-to-day operations of ACC facilities, including this facility; Committee responsibilities include review and approval of the annual operating budget, capital budget, and 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 Operations have been satisfied.
- Master Lease Agreement The project is to be administered by a Ground Lease Agreement between the University and ACC. The Ground Lease is for a period of 40 years with four 10-year options to renew.
- Lease Payments- NAU will receive rental payments in the form of annual base rent (i.e. Ground Rent) plus out performance rent should the project yield revenue in excess of the required return threshold.

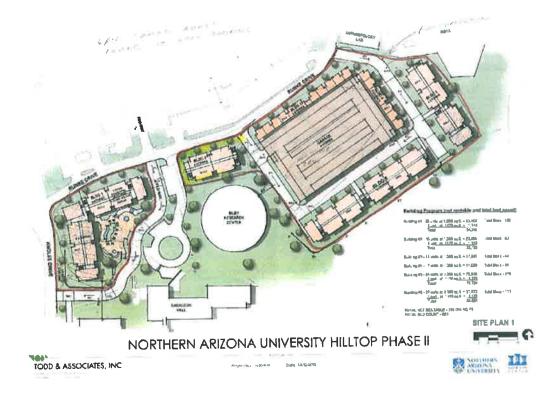
#### **Fiscal Impact and Financing Plan:**

ACC will fund the entire project construction cost, estimated at \$55 million initially, with 25% equity and 75% debt funding. The University has no obligation to support the facility financially. The project has no occupancy guarantees from the university.

#### **Recommendation:**

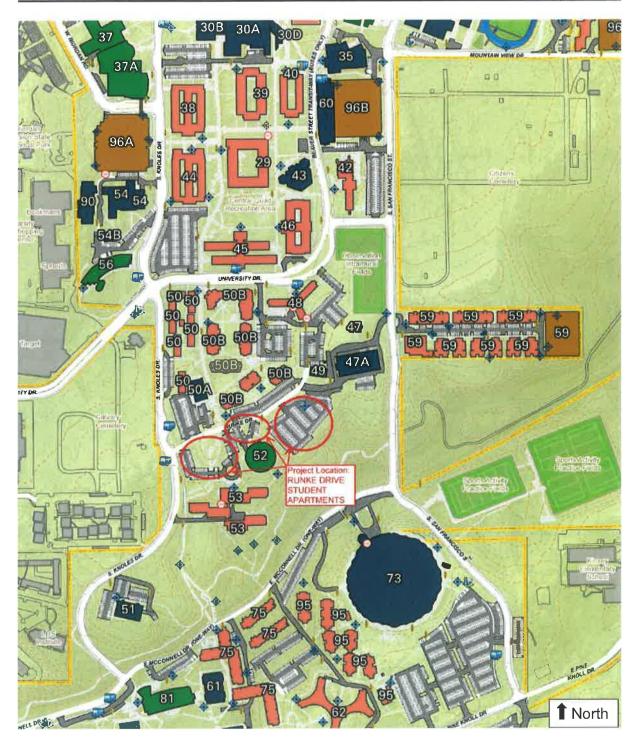
That the Business and Finance Committee provide authorization for Northern Arizona University Student to move forward to take all appropriate actions necessary to facilitate and execute a ground lease with American Campus Communities.

### **Proposed Site Plan and Project Location Map:**



Business and Finance Committee Meeting June 5, 2015 Agenda Item # Page 5 of 5

### **EXECUTIVE SUMMARY**





### **ARIZONA STATE UNIVERSITY**

May 27, 2015



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

Dear Senator Shooter:

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

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory/Faculty Startup
- Ground Lease with ACC for Development of Third-Party Student Housing at the Tempe campus

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen Executive Vice President, Treasurer and CFO

Enclosures

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

> OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER BUSINESS AND FINANCE PO Box 877505, TEMPE, AZ 85287-7505 (480) 727-9920 Fax: (480) 727-9922

Item Nar	ne:		e with American of New Student Ho		
Actio	on Item		Discussion Item		Information Item
<b>Issue:</b> Arizona State University requests approval to execute a ground lease with American Campus Communities for the development of third-party student housing on the Tempe Campus.					

### Statutory/Policy Requirements

- Board Policy 7-102(B) requires Committee review and Board approval of projects shared with outside entities, such as third-parties.
- Board Policy 7-207 requires Committee review and Board approval for the lease of real property.

### Project

American Campus Communities (ACC) was selected in 2004 through a competitive procurement process to develop third-party student housing on the ASU Tempe campus. The current project consists of the replacement of the Palo Verde Main Residence Hall with new student housing.

### **Project Justification**

University Housing exists to provide safe, clean, affordable 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 been proven to increase student satisfaction, involvement and retention across the nation.

Demand for on-campus, University-managed student housing continues to grow. Last year, ASU denied over 600 on-campus housing applications from upper-classmen to meet demand for freshman housing. Currently, the Palo Verde Main Residence Hall provides 555 freshmen, dorm-style beds for the Fulton Schools of Engineering (FSE) residential college. Enrollment in FSE has grown substantially over the past five years,

from approximately 8,500 in fall 2009 to 16,500 for fall 2014. First-time freshman FSE enrollment on the Tempe campus has more than doubled during this time, from fewer than 1,000 to almost 2,200. FSE enrollment is expected to continue to expand, as is overall demand for freshman and upper-class housing.

# **Project Description and Scope**

Palo Verde Main, originally constructed in 1957, has substantial infrastructure deficiencies and does not meet the growth requirements of FSE. ACC will demolish the current facility and construct an entirely new, larger replacement facility on the same site. The replacement facility will provide approximately 1,600 first-time freshman dorm-style beds for the fall 2017 semester to meet demand for on-campus housing. The facility, estimated at 446,000 square feet, also will include a dining hall, classrooms, study space, and other common-use areas. ASU's current dining provider will manage the dining facility and FSE will manage the classroom space.

In February 2006, ASU entered into a Memorandum of Understanding (MOU) with ACC which outlined the development by ACC of third-party student housing on the Tempe campus. In March 2015, ASU entered into a supplemental MOU to initiate the redevelopment of the Palo Verde Main Residence Hall.

# **Project Cost/Financial Structure**

- **Ground Lease Agreement** The parties will enter into a Ground Lease for a period of 65 years, with two ten-year options to renew.
- Lease Payments ASU will receive ground lease rent payments based on the financial performance of the project.
- Operating Expenses ACC is responsible for all costs and expenses of operating and maintaining the facility with the exception of the dining and classroom space, which ASU will manage. Minimum standards of operation (both maintenance and staffing) will be comparable to ASU-owned and operated student housing.
- Management ASU will provide the residential life programming and staffing for the new facility at a level consistent with other on-campus freshman 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.

# **Fiscal Impact and Financing Plan**

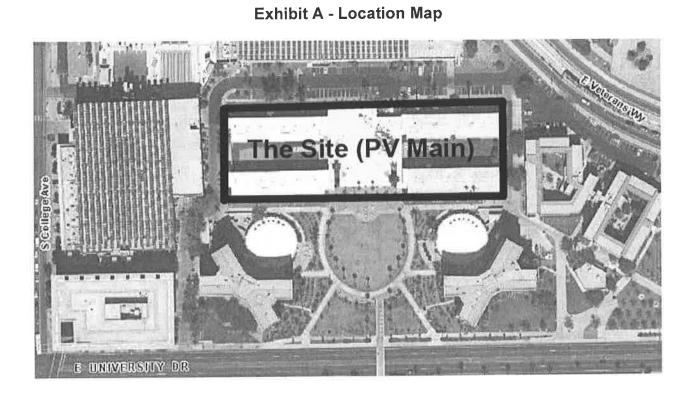
- ACC will provide approximately \$115 million for construction of the new facility, net of the dining and classroom construction and build-out. The project will be financed by ACC through its ACE Equity program, with a requirement that any debt placed on the improvements not exceed 65 percent of the project cost or fair market value on refinancing. There will be no legal recourse to ASU in the event of a default by ACC on any financing and, except for the obligations noted above, the University has no obligation to support the facilities financially or to guarantee occupancy.
- ASU's dining service provider will contribute capital to the build-out of the dining facility.

### Recommendation

It is recommended that the Committee forward to the full Board for approval Arizona State University's request to enter into a Ground Lease with American Campus Communities for the development of third-party student housing on the Tempe campus in accordance with the terms and conditions outlined above, and that Committee recommend that the President, the Executive Vice President, Treasurer and Chief Financial Officer and the Assistant Vice President for University Real Estate Development each be separately authorized in the name of and on behalf of the Board to take all appropriate actions necessary to finalize negotiations and to facilitate and execute the Ground Lease and all related documents with American Campus Communities for the development of student housing on the Tempe campus.

# EXECUTIVE SUMMARY

# Appendix





#### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH PHOENIX, ARIZONA 85007 (602) 926-5491

1716 WEST ADAMS

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director
FROM:	Art Smith, Principal Fiscal Analyst $AS$
SUBJECT:	Arizona State Parks Board - Review of FY 2016 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures

#### Request

The Arizona State Parks Board requests Committee review of FY 2015 capital projects totaling \$3.8 million from the State Lake Improvement Fund (SLIF) and the State Parks Revenue Fund (SPRF). Of that amount, \$2.5 million would be for new construction and \$1.3 million would be used for building renewal.

#### Recommendation

The Committee has at least the following 2 options:

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

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

- A. The State Parks Board shall report any change in the capital spending plan to the JLBC Staff, including reallocations between projects. If there is a project reallocation greater than \$100,000, the JLBC Staff shall recommend the State Parks Board request Committee review of the reallocation.
- B. If the State Parks Board adds a new project not listed in this request, the board must submit the proposed project and expenditure plan for Committee review.

(Continued)

#### - 2 -

#### Analysis

The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriates \$1.5 million from SPRF to the Arizona State Parks Board for capital improvements. Similarly, the FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated \$1.5 million, of which \$800,000 was favorably reviewed by the Committee at its September 2014 meeting. As outlined by A.R.S. § 41-1252, the Capital Outlay Bill requires Committee review of the scope, purpose and estimated cost of the SPRF capital appropriation. A.R.S. § 5-382 requires Committee review of the capital expenditure plan for projects funded from SLIF.

SLIF is a non-appropriated fund that generates revenue primarily from the Highway User Revenue Fund based on a formula that estimates state gasoline taxes paid for boating purposes, in addition to a portion of the watercraft license tax, in order to fund projects at parks that allow the use of motorized boats. While monies in SLIF are primarily used by the Parks Board for operating expenses, the Parks Board proposes to spend \$1.6 million from SLIF on capital projects in FY 2016.

SPRF is an appropriated fund that primarily generates revenue from park user fees and concession sales, in addition to reservation surcharges and publication and souvenir revenues. According to the Parks Board, the beginning balance of SPRF is \$8.3 million.

The Federal Land and Water Conservation Fund (LWCF) provides matching grants to state and local governments for the development of public outdoor recreation programs and facilities.

Table 1 provides a summary of the Parks Board's proposed capital project fund sources.

#### New Construction

#### **Restroom Shower Buildings**

The Parks Board requests review of a \$625,000 request for restroom and shower buildings at Buckskin Mountain, Lost Dutchman and Roper Lake. Additionally, the Parks Board would apply for a federal LWCF grant of \$625,000, which would bring the total cost to \$1,250,000. The 3 parks would each construct one 1,300 square foot pre-engineered restroom and shower facility. At Buckskin, older riverfront cabanas and a restroom facility are currently under demolition and will be replaced by beach campsites that will be accompanied by a new shower and restroom facility. An existing 40-year-old restroom and shower facility is out of Arizona Department of Environmental Quality (ADEQ) compliance and will be replaced. Lost Dutchman would also construct an additional day-use restroom to replace an existing facility that is not in compliance with the Americans with Disabilities Act (ADA). The newly-constructed Roper Lake restroom and shower facility would serve a camping area that currently has no restroom facilities.

#### Cattail Cove - Sandpoint Facility

The Parks Board also requests review of \$500,000 for the Sandpoint facility at Cattail Cove, which will replace an older facility that is currently at the site. The facility was operated by a concessionaire for 40 years whose contract terminated on January 1, 2015, in accordance with the original terms of the agreement. The Parks Board states that the existing infrastructure and visitor facilities are not compliant with current building codes. Development of the new facility will include design, demolition or abandonment of unsafe infrastructure. The wastewater treatment system will be upgraded to comply with an ADEQ consent order. Future capital development will include Master Planning and construction of a new campground with utilities at Sandpoint; however, these costs are not included in the Parks Board request.

(Continued)

Table 1

#### FY 2016 Arizona State Parks Capital Projects

New Construction	SPRF	SLIF	Federal LWCF <u>1</u> /	Total
Restroom Shower Buildings	\$450,000	\$175,000	\$625,000	\$1,250,000
Cattail Cove - Sandpoint Facility	0	500,000	0	500,000
ake Havasu - Launch Ramp Parking and Beach Area	0	450,000	0	450,000
Visitor Cabins	180,000	120,000	0	300,000
Boating Parks - Group Ramadas	0	175,000	0	175,000
Roper Lake - Wastewater Treatment Upgrades	175,000			175,000
Alamo Lake - Water and Wastewater Upgrades		105,000		105,000
Multiple Parks - Wireless Upgrades	25,000	75,000		100,000
Fort Verde - Horse Stables and Host Sites with	50,000	0	0	50,000
Utilities				
Subtotal - New Construction	\$880,000	\$1,600,000	\$625,000	\$3,105,000
Building Renewal				
Kartchner Caverns - Multiple Projects	\$570,000	\$0	\$0	\$570,000
Lake Havasu, Catalina and Roper Lake -	300,000	0	0	300,000
Ranger Residences				
Rockin' River Ranch - Caretaker Camp	125,000	0	0	125,000
Sites and Entrance Road				
Dead Horse - New Showers for Restroom Building	100,000	0	0	100,000
erome, Riordan Mansion and Fort Verde -	100,000	0	0	100,000
Fire Suppression and Alarm Upgrades				
Buckskin - Potable Water System	75,000	0	0	75,000
Slide Rock - New Roofs on Historic Buildings	50,000	0	0	50,000
Subtotal - Building Renewal	\$1,320,000	\$0	\$0	\$1,320,000
Totals	\$2,200,000	\$1,600,000	\$625,000	\$4,425,000

2/ Of the \$4.4 million, \$3.8 million requires JCCR review for SPRF and SLIF expenditures.

#### Lake Havasu - Launch Ramp, Parking and Visitor Area

New construction would also include a project at Lake Havasu totaling \$450,000. The Parks Board would construct a new 6-lane boat launch ramp, pave routes to and from boat launch sites and construct an 87-space lot to accommodate additional vehicle and trails and extend a beach area to accommodate additional visitors. The project will also include approximately \$3.0 million of funding through a combination of Federal Funds and Arizona Department of Transportation funding, for total project costs of \$3.5 million.

#### Visitor Cabins

The Parks Board also plans to spend \$300,000 in total funding on visitor cabins at Alamo Lake, Dead Horse Ranch, Fool Hollow Lake, Lyman Lake and Roper Lake. Each park would receive 4 pre-engineered cabins of 300 square feet. For each of the cabins, Parks Board staff would prepare the concrete base, place the cabin and connect electricity. Alamo Lake and Fool Hollow currently do not have any cabins. Dead Horse and Roper Lake both have existing cabins; however, those cabins experience high occupancy in the fall and winter. The Parks Board also states that Lyman Lake experiences high occupancy during the summer.

#### Group Ramadas

Additional expenditures would include \$175,000 to build 1 ramada at each of the 7 boating parks. Alamo Lake, Fool Hollow, Lake Havasu, Lyman Lake and Patagonia Lake do not have any existing group ramadas. Buckskin and Cattail Cove each have 1 group ramada, but these existing structures do not meet current demand.

#### Other Projects

The Parks Board has additional plans for a potable water tank at Alamo Lake (\$105,000), in addition to wastewater treatment construction at both Alamo Lake and Roper Lake (\$175,000) in order to comply with ADEQ regulations. Installation of steel towers with conduit and cable is also planned for improved wireless connection throughout the parks system (\$100,000). In addition, the Parks Board would construct 2 camping sites with potable water and a covered wooden horse shelter for concessionaire use at Fort Verde (\$50,000).

#### **Building Renewal**

In addition to new construction, the Parks Board has allocated \$1.3 million from SPRF for the following building renewal projects:

#### Kartchner Caverns - Multiple Projects

The Parks Board has allocated a total of \$570,000 for multiple projects at Kartchner Caverns, which consists of well renovation, cave lighting system replacement, new roofing for residences and restroom facilities, a storage and office building, and automatic doors for ADA compliance. An existing well would be retrofitted to serve as a backup to the central well at Kartchner Caverns due to several malfunctions that have occurred at the park. The Parks Board states that the backup well is necessary as a result of high volume visitation to the park. Current lighting within the cave has deteriorated as a result of use since its installation 18 years ago. The Parks Board would replace 20-year-old roofs at 2 of its ranger residences and restrooms. Kartchner Caverns would also receive a new pre-engineered building to replace a double-wide trailer that is used for storage and office supplies. Additionally, Kartchner Caverns has 20-year-old automatic doors for ADA access that are malfunctioning and require replacement.

#### Ranger Residences

The Parks Board has also allocated \$300,000 to add 1 additional ranger residence, consisting of a 1,400 square foot mobile home unit, at Catalina, Lake Havasu and Roper Lake. These new residences would accommodate additional law enforcement staffing at each of the 3 parks.

#### Rockin' River Ranch

In order to protect the Rockin' River Ranch historic property in Camp Verde, the Parks Board plans to spend \$125,000 to redevelop the entrance road for mud abatement, which has been tied to safety and access concerns. The Parks Board also plans to construct 2 electrified campsites for volunteer caretakers who provide security and maintenance for the property.

#### Other Projects

Additional expenses would include new showers for a restroom facility at Dead Horse Ranch at a total cost of \$100,000. Fire, building and life safety upgrades at Jerome, Riordan Mansion and Fort Verde would total \$100,000. Buckskin would retrofit an existing potable water system in order to comply with an ADEQ consent order for \$75,000. New roofs on historic buildings at Slide Rock would total \$50,000.



Douglas A. Ducey Governor

Sue Black Executive Director **State Parks Board** R.J. Cardin, Chairman Kay Daggett, Vice-Chairman Mark Brnovich, Phoenix Alan Everett, Sedona Shawn Orme, Mayer Orme Lewis, Jr., Phoenix Lisa Atkins, State Land Commissioner

THE THE STREET S

June 1, 2015

The Honorable Don Shooter, Chairman Joint Committee on Capital Review 1716 West Adams Phoenix, AZ 85007

RE: Request for JCCR review of FY 2016 Capital Outlay Project Recommendations

Dear Senator Shooter:

Arizona State Parks requests review by the JCCR of the agency's recommended FY 2016 capital outlay projects described below. Funding includes FY 2015 and FY 2016 capital appropriations from the State Parks Revenue Fund (SPRF), as well as non-appropriated allocation from the State Lake Improvement Fund (SLIF). Sufficient cash balances forward are available from both Funds to fully fund the recommended projects, while also providing adequate cash flow for agency operational needs.

A.R.S. § 5-382 requires JCCR review of expenditure plans for SLIF capital projects prior to expenditure. A.R.S. § 41-1252 requires JCCR review of capital projects with an estimated cost exceeding \$250,000. Laws 2014, 2<sup>nd</sup> Regular Session, Chapter 15 appropriated \$1.5 million in FY 2015 for State Parks capital improvements from the SPRF. Laws 2015, 1<sup>st</sup> Regular Session, Chapter 9 appropriated an additional \$1.5 million in FY 2016 for capital improvements from the SPRF. Both appropriations are subject to review by the JCCR.

The recommended projects reflect the agency's highest and most time-sensitive priorities. Projects include new construction as well as facilities renewal or improvement. The projects will support several park system objectives, including life and safety protection; compliance with ADA and ADEQ requirements; increased visitor and concession revenue; asset and resource protection; infrastructure renovation or replacement; and improved capacity to meet visitor needs.

Specific project funding details and project descriptions are attached:

- Recommended Capital Project Listing with Funding Detail
- Recommended Capital Project Narrative Descriptions

The total \$3.8 million of recommended capital projects will be funded from the remaining \$700,000 of the FY 2015 SPRF capital appropriation; \$1,500,000 from the FY 2016 SPRF capital appropriation; and \$1,600,000 from the SLIF cash balance.

The JCCR previously favorably reviewed \$800,000 of the \$1.5 million FY 2015 SPRF capital appropriation at their September 25, 2014 meeting.

1300 W. Washington Street • Phoenix, AZ 85007 (602) 547-4174 • Fax (602) 542-4188 AZStateParks.com The Honorable Don Shooter June 1, 2015 Page 2

The agency is ready to move forward with our recommended capital projects, pending favorable review by the JCCR. If you have any questions regarding Arizona State Parks' capital projects, or funding of the projects, please contact me at (602) 542-4174, or <u>sblack@azstateparks.gov</u>, or you may contact Kent Ennis, Deputy Director, at 602-542-6920 or kennis@azstateparks.gov.

Sincerely, Slack

Sue Black Executive Director

cc: Richard Stavneak, Director JLBC Staff Lorenzo Romero, Director OSPB R.J. Cardin, Chair, Arizona State Parks Board Kent Ennis, Deputy Director, Arizona State Parks Jay Ream, Deputy Director of Parks, Arizona State Parks

Project escription	Funding Source>	SPRF FY15 Capital Appropriation	SPRF FY16 Capital Appropriation	FY16 State Lake Improvement Fund	Total All Capital Projects Recomm.	Purposes
	New Construction:					
1	Lake Havasu - Launch Ramp, Parking, and Beach Area (add'l funding)			\$450,000	\$450,000	Revenue, Capacity
2	Alamo Lake & Lyman Lake - Visitor Cabins (four each)			\$120,000	\$120,000	Revenue, Capacity
2	Dead Horse, Fool Hollow & Roper Lake - Visitor Cabins (four each)		\$180,000		\$180,000	Revenue, Capacity
3	Buckskin - Restroom Shower Building (construction)			\$175,000	\$175,000	ADEQ, ADA, Capacity
3	Lost Dutchman - ADA Day Use Restroom (construction)	\$100,000			\$100,000	ADEQ, ADA, Capacity
3	Lost Dutchman - Restroom Shower Building (construction)	\$175,000			\$175,000	ADEQ, ADA, Capacity
3	Roper Lake - Restroom Shower Building (construction)	\$175,000			\$175,000	ADEQ, ADA, Capacity
4	Alamo Lake - Water and Wastewater Upgrades			\$105,000	\$105,000	ADEQ
5	Roper Lake - Wastewater Upgrades	\$175,000			\$175,000	ADEQ
6	Fort Verde - Horse Stables and Host Sites with Utilities	\$50,000			\$50,000	Revenue, Capacity
7	Boating Parks - Group Ramadas (five)			\$175,000		Revenue, Capacity
8	Multi-Park - WiFi Upgrades for Revenue Administration	\$25,000		\$75,000		Capacity, Infrastructure
9	Cattail Cove Sandpoint Facility - Development & Soft Opening			\$500,000	\$500,000	Infrastructure, ADEQ, Revenue
	Subtotal New Construction	\$700,000	\$180,000	\$1,600,000	\$2,480,000	
	Facilities Renewal:					
10	Lake Havasu, Catalina & Roper - Ranger Residences (one each)		\$300,000		\$300,000	Infrastructure, Capacity
11	Buckskin - Potable Water System Upgrade		\$75,000		\$75,000	ADEQ
12	Dead Horse - New Showers for Restroom Building		\$100,000		\$100,000	ADA, Capacity
13	Rockin' River Ranch - Caretaker Camp Sites & Entrance Road		\$125,000		\$125,000	Resource Protection
14	Jerome, Riordan, Fort Verde - Fire Suppression & Alarm Upgrades		\$100,000		\$100,000	Life/Safety, Resource Protection
15	Slide Rock - New Roofs on Historic Buildings		\$50,000		\$50,000	Resource Protection
16	Kartchner - Water Well Renovation		\$175,000		\$175,000	ADEQ, Capacity, Infrastructure
17	Kartchner - Cave Lighting System Replacement		\$150,000		\$150,000	Life/Safety, Infrastructure, Resource
18	Kartchner - ADA Automatic Main Entrance Doors at Discovery Center		\$35,000		\$35,000	Life/Safety, ADA
19	Kartchner - New Roofing at Residences & Restroom/Shower Buildings		\$125,000			Resource Protection
20	Kartchner - New Pre-Engineered Storage and Office Building		\$85,000		\$85,000	Infrastructure
	Subtotal Facilities Renewal	\$0	\$1,320,000	\$0	\$1,320,000	

# Arizona State Parks – Recommended FY 2016 Capital Outlay Projects Project Narrative Descriptions for JCCR review June 18, 2015

### **New Construction:**

### **1. Lake Havasu Boat Launch Ramp, Parking, and Beach Area** \$450,000 SLIF

**Purpose:** Visitor Revenue, Visitor Capacity

**Scope:** Construct a new six-lane concrete boat launch ramp, paved ingress/egress launch ramp roads, 87-space paved parking lot to accommodate vehicles with boat trailers, and new beach area south of Parking Area 4. Design is 100% complete. Construction estimate exceeds the existing \$1.47 million Federal LWCF grant, plus \$1.55 million ADOT Statewide Roadside Development funding, by \$450,000. ADOT must advertise the construction bid during June 2015, and this additional funding is required to be committed prior to advertising.

### 2. Visitor Cabins at Five State Parks

Alamo Lake, Lyman Lake, Dead Horse Ranch, Fool Hollow Lake, Roper Lake \$300,000 total (\$120,000 SLIF and \$180,000 FY16 SPRF) **Purpose:** Visitor Revenue, Visitor Capacity

**Scope:** Erect four pre-engineered 300 square foot two-room rustic cabins with porch at each Park, with electric only. Parks staff will prepare concrete pads, place each cabin, and connect electric.

### 3. Four Restroom and Shower Buildings at Three State Parks

Buckskin Mountain, Roper Lake, Lost Dutchman \$625,000 total (\$175,000 SLIF, \$450,000 FY15 SPRF) **Purpose:** ADEQ and ADA Compliance, Visitor Capacity **Scope:** Construct three pre-engineered 1,300 square foot restroom/shower buildings, one at each Park, and one day-use restroom building at Lost Dutchman. Contractor will purchase and set each building, including utilities. Designs for Buckskin and Lost Dutchman are 90% and 60% complete, respectively; design for Roper is not yet under contract. State Parks will apply for a Federal Land and Water Conservation Fund grant of \$625,000 to fund the full estimated project construction costs of \$1.25 million.

### 4. Alamo Lake Water and Wastewater Upgrades

\$105,000 SLIF

# Purpose: ADEQ Compliance

**Scope:** Construct a new Wastewater Lift Station and Potable Water Tank to replace existing non-compliant systems, per ADEQ Consent Order. Designs are 100% and 90% complete, respectively. Funding will supplement prior year capital allocations for the Lift Station scope item.

### 5. Roper Lake Wastewater Upgrades

\$175,000 FY15 SPRF

Purpose: ADEQ Compliance

**Scope:** Construct new Wastewater Dump Station, Septic Tank and Leach Field to replace existing non-compliant facilities, per ADEQ Consent Order. Design is 100% complete for all scope items.

### 6. Fort Verde Horse Stables and Host Sites with Utilities

\$50,000 FY15 SPRF **Purpose:** Concession Revenue, Visitor Capacity **Scope:** Construct a covered wooden horse shelter with fencing, for visitor concession service. Construct two electrified Host Camping Sites with potable water, for concession operator use.

### 7. Group Ramadas at Five Boating Parks

\$175,000 SLIF

Purpose: Visitor Revenue, Visitor Capacity

**Scope:** Erect five pre-engineered steel 20'X40' ramadas, with electric only. Parks staff will prepare concrete pads, place each ramada, and connect electric. Specific placement at various Boating Parks to be determined. Candidates are Alamo Lake, Buckskin Mountain, Cattail Cove, Lake Havasu, Patagonia Lake, Fool Hollow Lake, Lyman Lake.

### 8. WiFi Ugrades at Multiple Remote Parks for Revenue Administration

\$100,000 total (\$75,000 SLIF and \$25,000 FY15 SPRF)

Purpose: Visitor Capacity, Infrastructure

**Scope:** Install and place steel towers with conduit and cable for WiFi reception. Current internet connectivity at several of the more remote Parks is insufficient for timely real-time processing of visitor revenues upon entrance. WiFi upgrades will enable more secure and accurate revenue processing, reduce the visitors' wait time for Park entry, and provide more reliable connection for employee communications and access to the ADOA Personnel Y.E.S. website.

### **9. Cattail Cove / Sandpoint Facility Development and Soft Opening** \$500,000 SLIF

**Purpose:** Visitor Revenue, Visitor Capacity, and ADEQ Compliance **Scope:** Land and facility development will include design, demolition or abandonment of unsafe or unusable structures and infrastructure. The existing wastewater system will be upgraded for compliance with the ADEQ Consent Order. Initiate Master Planning activities. Construction of a new campground with utilities. The costs associated with terminating the 40-year Concession Contract are NOT included in the project scope.

# Facilities Renewal Projects:

# **10. Lake Havasu, Catalina and Roper Lake New Park Ranger Residences** \$300,000 FY16 SPRF

Purpose: Infrastructure, Staffing Capacity

**Scope:** Add one residence each at Lake Havasu, Catalina, and Roper Lake Dankworth Pond Unit, to accommodate additional on-site Law Enforcement Ranger staffing. New residences will be 1,400 square foot double-wide mobile home units.

### 11. Buckskin Mountain Potable Water System Upgrade

\$75,000 FY16 SPRF

Purpose: ADEQ Compliance

**Scope:** Retrofit existing potable water storage system, consisting of four storage tanks, with new piping and valves, in compliance with the ADEQ Consent Order.

# 12. Dead Horse Ranch New Showers for Restroom Building

\$100,000 FY16 SPRF

Purpose: ADA Compliance, Visitor Capacity

**Scope:** Current restroom facility at the visitor cabin loop does not have sufficient shower facilities. The building will be remodeled to add three exterior-access shower stalls, one of which will be ADA-accessible.

# 13. Rockin' River Ranch Caretaker Camp Sites and Entrance Road

\$125,000 FY16 SPRF

Purpose: Infrastructure, Resource Protection

**Scope:** Grade, compact and place asphalt on the current dirt entrance road, for dust and mud abatement. Currently, road must be constantly graded to make it safe and passable. Construct two electrified campsites for volunteer caretakers who provide security and maintenance for the property, the 1950s-era ranch house and adjoining structures.

# **14. Jerome, Riordan, Fort Verde Fire Suppression & Alarm Upgrades** \$100,000 FY16 SPRF

Purpose: Life and Safety, Resource Protection

**Scope:** Current systems in all three historic buildings require upgrades for code compliance, life safety, and resource protection. Work will include audible detection, lighting, signage, piping, electrical and sprinkler heads.

# 15. Slide Rock New Roofs at Historic Buildings

\$50,000 FY16 SPRF

Purpose: Resource Protection

**Scope:** Replace existing deteriorated shingle roofs with new shingle roofs to match, on the historic Brown House, Pendley House, and Apple Barn.

# 16. Kartchner Caverns Water Well Renovation

\$175,000 FY16 SPRF

**Purpose:** ADEQ Compliance, Visitor Capacity, Infrastructure **Scope:** Retrofit an existing potable water well, which may include drilling to a greater depth, new PVC water lines, and electrical. This will serve as a backup well to the existing operating well within the park. If the existing well malfunctions, potable water must be hauled in great quantities to service the park and visitor population, or else the park must be closed to the public until repairs are completed. This has happened several times in the past many years, and severely impacts visitor revenues at this high-volume park.

### **17. Kartchner Caverns Cave Lighting System Replacement** \$150,000 FY16 SPRF

**Purpose:** Life and Safety, Infrastructure, Resource Protection **Scope:** Current inadequate cave lighting system, installed during 1997-1999, has deteriorated and is now in non-compliance with current NEC electric codes. Replace with energy-efficient LED for greater visitor safety and visibility of cave formations. New lighting will generate less heat and have less of an environmental impact on the sensitive cave interior.

# **18. Kartchner Caverns ADA Automatic Main Entrance Doors**

\$35,000 FY16 SPRF

**Purpose:** Life and Safety, ADA Compliance

**Scope:** Replace existing 20-year-old malfunctioning main entrance doors at the Discovery Center with new ADA compliant doors.

### **19. Kartchner New Roofing of Residences and Restroom/Shower Buildings** \$125,000 FY16 SPRF

Purpose: Resource Protection

**Scope:** Replace existing 20-year old metal roofs on two ranger residences and two restroom shower buildings, with like materials.

## **20. Kartchner Caverns New Pre-Engineered Storage and Office Building** \$85,000 FY16 SPRF

Purpose: Infrastructure

**Scope:** Erect new 1,400 square foot pre-engineered steel building with electric and potable water. Parks staff will prepare concrete pad, place the building, and connect electric and water. This will replace the existing insufficient double-wide mobile home used for Park, Cave, and Building Maintenance purposes.



#### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007 (602) 926-5491

,

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director R-9
FROM:	Steve Grunig, Senior Fiscal Analyst  🕉 🎾
SUBJECT:	Arizona Exposition and State Fair Board - Review of Cattle Barn Wall Repairs

#### Request

Pursuant to A.R.S. § 41-1252 the Arizona Exposition and State Fair Board requests Committee review of the scope, purpose and estimated cost of \$225,000 for capital improvements. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board for capital improvements. The Arizona Exposition and State Fair Board for capital improvements. The Arizona Exposition and State Fair Board for Capital improvements. The Arizona Exposition and State Fair Board for Capital improvements.

#### Recommendation

The Committee has at least the following 2 options:

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

#### Analysis

#### Background

The Arizona Exposition and State Fair Board requests the Committee review the following project:

#### **Cattle Barn Wall Repairs**

The West Cattle Barn requires structural rehabilitation to the concrete columns and beam making up the south wall of the building. The wall is not believed to be in imminent danger of collapse, but if the barn is

(Continued)

open to continued public occupancy, the wall must be repaired. A structural engineer suggested that the wall be repaired by installing a system of horizontal steel beams (girts) and vertical steel columns (strong-backs). These are connected to the existing wall elements, to each other, and to the existing roof and foundation structure.

The JOC Gordian Group (a general contractor) provided a cost estimate based on the initial inspection, recommendations from a structural engineer, and familiarity with previous similar repairs to the East Barn. The estimated project cost is \$225,000.

RS/SG:lm

May 28, 2015

The Honorable Don Shooter Joint Committee on Capital Review Arizona Senate 1700 W. Washington Phoenix, AZ 85007

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

Dear Senator Shooter:

The Arizona Exposition and State Fair (AESF) respectfully request a favorable review for the expenditure of monies on the following capital improvement or building renewal project:

**Exposition & State Fair** 

1. Cattle Barn Wall Repairs

\$225,000

12 AM

RECEIVED

6

JUN 0 3 2015

JOINT BUDGE COMMITTEE

NJ 71

A brief description of the projects is as follows:

1. Cattle Barn Wall Repairs

The west cattle barn requires structural rehabilitation to a load bearing roof support showing signs of stress and movement. The concrete columns and beam making up the south wall of the west Cattle Barn is observed as leaning outward from the building and has stress cracks indicating movement. The wall has been inspected by an engineer and is not believed in imminent danger; but if the barn is open to continued public occupancy, the wall must be rehabilitated to secure the roof from ground to ceiling. Engineered repairs will be completed using state contracts for construction and repair. This project is being sought as a life/safety priority.

Cost estimates are based on using state contracted services. AESF will utilize ADOA General Services to identify the most expedient and fiscally responsible process to accomplish these projects, whether through bid, state contracts or in-house labor.

If you have any questions or require additional information concerning the requests, please contact me at 602-252-6771.

Sincerely,

Wanell Costello Executive Director

CC: The Honorable Justin Olson Chris Olvey, OSPB Steve Grunig, JLBC



#### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY ERIC MEYER, M.D. STEVE MONTENEGRO ANDREW C. SHERWOOD DAVID STEVENS

DATE:	June 11, 2015
TO:	Senator Don Shooter, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 72-5
FROM:	Eric Billings, Principal Fiscal Analyst $\mathcal{EB}$
SUBJECT:	Department of Emergency and Military Affairs - Review of Proposed Expenditures from the Military Installation Fund

#### Request

Pursuant to A.R.S. § 41-1252, Department of Emergency and Military Affairs (DEMA) is requesting the review of their plan to expend \$2.9 million from the Military Installation Fund for 2 land purchases and 1 easement acquisition near existing military facilities. Under the proposal, these expenditures would be funded with the existing monies in the fund.

#### Recommendation

The Committee has at least the following 2 options:

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

#### Analysis

The Military Installation Fund was created by Laws 2004, Chapter 235 for the purpose of helping to maintain the presence of military facilities in Arizona through the provision of funding to state and local entities to purchase, preserve, or maintain land near military facilities. The purchases are intended to prevent nearby development that is incompatible with military facilities. The Military Installation Fund receives revenue from General Fund appropriations and interest on the fund balance. As of June 1, 2015, the fund had an unreserved balance of \$5.4 million.

A.R.S. § 26-262 requires that 80% of the monies received by the Military Installation Fund be utilized for land purchases, land improvements, and the acquisition of development rights. The remaining 20% is required to be provided to local governments for capital or infrastructure improvements, renovations, the removal of structures, military installation preservation and enhancement projects requested by federal or state agencies, and the management of acquired property.

The Military Installation Fund is administered by DEMA with allocation recommendations made by the Military Affairs Commission. The commission is comprised of 19 individuals appointed by the Governor, Senate President, or Speaker of the House that are either elected officials, appointed officials, individuals with military expertise, or residents with private property interests around the state's major military installations. The commission makes Military Installation Fund allocation recommendations to DEMA based on a number of factors including the proximity of the land to the base, installation needs, and risk to land users. Once the recommendations are made, DEMA makes the final allocation decision, although, the commission's decisions are usually accepted.

The current plan would allocate a total of \$2.9 million to 3 separate land or easement purchases as indicated below:

- \$773,300 to purchase a 27.62-acre land parcel which is 0.25 miles northwest of Luke Air Force Base Auxiliary Field near Surprise. The acquisition would allow for the purchase of undeveloped land directly in front of the air strip at the Air Field. This land falls within the Clear Zone and Accident Potential Zone 1 of the Air Field, which means that the land is within 8,000 feet of the end of the air strip. This land appraised at \$773,300.
- \$843,750 to purchase a 33.75-acre land parcel which is 1.42 miles southeast of Davis-Monthan Air Force Base in Tucson. This undeveloped land is directly adjacent to a residential neighborhood that falls under a frequently used flight route and is within the 65-69 decibel High Noise Zone. The 65-69 decibel High Noise Zone is the lowest level of noise for which there are zoning restrictions in Arizona. This land appraised at \$1.9 million.
- \$1.3 million to acquire easement rights to a 54-acre parcel which is 0.15 miles southwest of Luke Air Force Base in Glendale. DEMA would acquire easement rights to the 54 acres in Glendale which are currently used for agricultural purposes and fall within the Accident Potential Zone 1 land designation category, meaning that it is 5,000 – 8,000 feet beyond the end of the base's air strip. The easement would prohibit the land owner from engaging in any act that could hinder air traffic over the property and prevents any further development of the land. This easement appraised at \$1.3 million.

Once purchased, these parcels will become property of the state and be managed by DEMA. All of these acquisitions adhere to the provisions of A.R.S. § 41-791.02 which require that all land purchases not exceed their appraised value.

While not part of the proposal that is being considered for review, as part of this award round DEMA has granted \$772,900 to the Arizona Land and Water Trust, a non-profit entity that purchases land for the conservation of natural habitat, to purchase land near Fort Huachuca. This money will be used in addition to monies that the Arizona Land and Water Trust will receive from the federal government and donations. Additionally, DEMA has granted a total of \$1.0 million to local governments for land enhancement and preservation projects.

Since this \$1.0 million and the \$772,900 Arizona Land and Water Trust award are grants and not direct land purchases by the state, DEMA has chosen not to seek JCCR review. If all of the aforementioned projects are completed, the Military Installation Fund would have a remaining balance of \$2.5 million which DEMA plans to expend in the next round of awards sometime during FY 2016.

RS/EB:kp



### STATE OF ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

5636 East McDowell Road Phoenix, Arizona 85008-3495 (602) 267-2700 DSN: 853-2700



Maj Gen Michael T. McGuire THE ADJUTANT GENERAL

June 5, 2015

The Honorable Don Shooter, Chairman Joint Committee on Capital Review (JCCR) Arizona State Senate 1700 West Washington Street Phoenix, Arizona 85007

The Honorable Justin Olson, Vice-Chairman Joint Committee on Capital Review (JCCR) Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007



SUBJECT: Military Installation Fund Land Purchase

Dear Senator Shooter and Representative Olson:

The Arizona Department of Emergency and Military Affairs (DEMA) respectfully requests its placement on the June 2015 Joint Committee on Capital Review (JCCR) meeting agenda for review of the expenditure of monies appropriated for land acquisition pursuant to A.R.S. § 41-1252.

A.R.S. § 26-262(G)(1) provides DEMA the authority, upon recommendation by the Military Affairs Commission, to purchase property for the purpose of preserving or enhancing a military installation. The Military Affairs Commission has recommended the following acquisitions using previously appropriated monies, for which DEMA has tendered negotiated offers:

\$773,300.00 to Wittmann Family Trust, for property situated within the Clear Zone as defined in A.R.S. § 28-8461(8) and Accident Potential Zone 1 as defined in A.R.S. § 28-8461(1) of Luke Air Force Base Auxiliary Field #1.

\$843,750.00 to Rocking K Holdings LP, for property situated within the High Noise Zone as defined in A.R.S. § 28-8481(J), Decibel level 65-69, near Davis-Monthan Air Force Base.

\$1,277,750.00 to Ashby Land, LLC, for an avigation easement on property within Accident Potential Zone 1 as defined in A.R.S. § 28-8461(1) of Luke Air Force Base.

Pursuant to A.R.S. § 41-791.02(I), acquisition of real property shall not exceed its appraised value. The aforementioned purchase prices negotiated by DEMA are either at or below their appraised value, \$773,300, \$1,910,000, and \$1,277,750, respectively.

DEMA respectfully submits the attached land acquisition agreement for JCCR review.

The Honorable Don Shooter The Honorable Justin Olson June 5, 2015 Page 2 of 2

If you have any questions regarding these proposed purchases, please contact Travis Schulte, DEMA Legislative Liaison and Coordinator for the Military Affairs Commission, at 602.267.2732.

Sincerely,

MIM

Michael T. McGuire Major General, AZ ANG The Adjutant General

Attachments: Wittmann Purchase Agreement Rocking K Purchase Agreement

cc: Richard Stavneak, Staff Director JLBC Eric Billings, DEMA Analyst, JLBC Lorenzo Romero, Director, OSPB Laura Johnson, DEMA Budget Analyst, OSPB Michael Braun, Director, Legislative Council Correspondence File

1	PURCHASE AGREEMENT BETWEEN
2	STATE OF ARIZONA
3	ACTING BY AND THROUGH THE
4	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS
5	AND
6	WITTMANN FAMILY TRUST
7	FOR THE PURCHASE OF REALTY
8 9 10 11 12	This AGREEMENT ("Agreement") is entered into this day of June, 2015, by and between the STATE OF ARIZONA (the "State" or "Purchaser"), acting by and through the Arizona Department of Emergency and Military Affairs ("AZDEMA") and Wittmann Family Trust ("Wittmann Trust" or "Seller").
13 14 15 16	WHEREAS, Seller presently owns the real property situated at the northwest corner of logical Jomax Road and 223rd Avenue, Maricopa County, Arizona and legally described in Exhibit A, including all hereditaments, water rights, fixtures, improvements, easements and other appurtenances thereto (the "Property").
17 18 19	WHEREAS, title in fee simple to the Property shall be transferred by warranty deed from the Seller to the State pursuant to this Agreement;
20 21 22 23 24 25 26	WHEREAS, all obligations of AZDEMA to consummate the transaction contemplated by this Agreement are contingent on the fulfillment of the conditions contained in this Agreement including, but not limited to, the following: the approval of the Arizona Legislative Joint Committee on Capital Review ("JCCR"); obtaining clear title together with all appurtenances; Seller's performance of all conditions precedent of this Agreement; and the issuance of an ALTA Extended Title Insurance Policy payable as per paragraph #19 of this Agreement;
27 28 29	WHEREAS, the undersigned are authorized to enter into this Agreement on behalf of their respective parties;
30 31 32 33 34	NOW, THEREFORE, in consideration of the Property and mutual promises and undertakings herein contained, and for other good and valuable consideration, the parties agree as follows:
35 36 37 38	1. Sale of the Property: The Seller hereby sells to the State and the State hereby buys from the Seller all right, title and interest in the Property subject to the terms of this Agreement.

- 2. Purchase Price: The "Purchase Price" shall be SEVEN HUNDRED SEVENTY THREE THOUSAND THREE HUNRED DOLLARS AND NO CENTS (\$773,300.00).
  - 3. Warranties of Seller: Seller warrants, represents, covenants and acknowledges (with the understanding that the State is relying on these warranties, representations, covenants and acknowledgements and that such warranties, representations, covenants and acknowledgments shall survive the Close of Escrow except as may be reflected in the preliminary title report at the time of execution of this Agreement):
    - a.) Seller has the ability to and shall deliver fee title through a warranty deed to the Property to the State; subject to the matters shown on such title report, on the Close of Escrow, as defined hereinafter, accepted in writing by the State;
    - b) To Seller's actual knowledge there are no claims, actions, suits, or other proceedings pending or overtly threatened by any governmental department or agency or any other corporation, partnership, entity or person (as defined in A.R.S. § 1-215) whomsoever ("Person"), nor any voluntary actions or proceedings contemplated by Seller, which in any manner may detrimentally affect buyer's right, title or interest in and to the Property or the value of the Property or Seller's ability to perform Seller's obligations under this Agreement;
      - c) That no Person is in adverse possession of the Property, and there are no Persons who have been granted any license, lease or other right relating to the use or possession of the Property by Seller other than that attached as Exhibit B, which lease terminates on the day the State of Arizona completes the purchase of the Property;
      - d) That there have been no written modifications of the Lease other than those which have been provided to the State. The Lease has not been modified by any oral agreements.
      - e) To Seller's actual knowledge there is no pending or overtly threatened condemnation or similar proceeding affecting any part of the Property, and Seller has not received any notice of any such proceeding and has no knowledge that any such proceeding is contemplated;
    - f) No work has been performed or is in progress at the Property and no materials have been furnished to the Property which might give rise to mechanic's, material man's, or other liens against the Property;

1 g) 2 3	Seller is not prohibited from consummating the transactions contemplated by this Agreement instrument, any law, regulation, agreement, judgment; instrument, restriction, order, or
4 5 h) 6 7 8 9 10	There are no attachments, executions, assignments for the benefit of creditors, receiverships, conservatorships, or voluntary or involuntary proceedings in bankruptcy or pursuant to any other laws for relief of debtors contemplated, filed by or pending against Seller or any entities related to Seller which might affect or involve the Property.
11 i) 12 13 14 15	There is no default, nor has any event occurred which with the passage of time or the giving of notice or both would constitute a default in any contract, mortgage, deed of trust, lease, or other instrument which relates to the Property or which affects the Property in any manner whatsoever.
16 j) 17 18	There are no contracts or other obligations outstanding for the sale, exchange, or transfer of all or any part of the Property;
19 k) 20	Seller shall provide water rights assignments to the State;
21 l) 22 23 24 25 26	Seller shall have performed fully and complied with the agreements required to be performed or complied with by it prior to or at the Close of Escrow, including satisfaction of the requirements contained in the "Requirements" section of Schedule "B" of the preliminary title report referred to in paragraph 17 (a) of this Agreement; and
20 27 m) 28 29 30	Seller has not and will not at any time prior to Close of Escrow grant to any person an interest in the Property other than that those listed in Exhibit B (the "Leases").
31 n) 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46	If prior to the Close of Escrow Seller becomes aware of any facts or circumstances which would render any of the above representations false or materially misleading, Seller shall promptly give written notice thereof to the State. Seller, without obligation or liability, may attempt to rectify such matters, but if the State is not reasonably satisfied with such efforts, and such facts or circumstances are not the result of Seller's intentional acts, the State's sole remedies shall be: (I) to accept a modified representation or warranty and close escrow as provided herein, without adjustment to the sales price; or (ii) to cancel this Agreement and escrow by giving written notice to Seller and Escrow Agent on or before the Closing Date, in which case all obligations to buy or sell the Property shall terminate. "Seller's knowledge", Seller's actual knowledge" or similar phrases when used in this Agreement shall mean the actual current knowledge of Mike Schwab or any other agent of Wittmann Family Trust without any investigation or inquiry whatsoever except that specifically required by this Agreement.

1		
2	4.	Escrow Company
3		
4		a) If not previously done, an escrow shall be opened by the State with Clear
5		Title Agency.
6		
7		b) By countersigning this Agreement where indicated, Escrow Company, by
8		and through its duly authorized representative, hereby accepts this
9		transaction and agrees to act as the Escrow Company in connection with
10		this Agreement. By accepting this escrow, Escrow Agent agrees to be the
11		designated "reporting person" under § 6045(e) of the U.S. Internal
12		Revenue Code with respect to the real estate transaction described in this
12		Agreement and to prepare, file and deliver such information, returns and
13		statements as the U.S. Treasury Department may require by regulations or
15		forms in connection therewith, including Form 1099-B.
16		forms in connection mercurui, merudning Form 1099-D.
10	5	Class of Eggmany Class of agamany shall be on an before
	5.	<u>Close of Escrow</u> : Close of escrow shall be on or before
18	6	Descention and Title, Descention and title shall uses from Sollar to the State on the
19	6.	Possession and Title: Possession and title shall pass from Seller to the State on the
20		Close of Escrow.
21	7	Denote One with first the Class of Economy the State shall now the Dynahogo Drive
22	7	Payment: On or before the Close of Escrow the State shall pay the Purchase Price
23		to the Escrow Company. Escrow Company shall release the funds to the Seller on
24		the Close of Escrow.
25	0	
26	8.	Documents and Escrow: All documents necessary to close escrow shall be
27		deposited in escrow with the Escrow Company by the appropriate party. Except
28		as otherwise provided in this Agreement, the Seller and the State agree to execute
29		all documents, including, but not limited to, the documents and deeds in this
30		paragraph or otherwise necessary to close this transaction, in the standard form
31		used by the Escrow Company, except that the Seller and the State hereby instruct
32		the Escrow Company to modify such documents to the extent necessary to be
33		consistent with this Agreement and to be in compliance with Arizona law.
34		
35	9.	Evidence of Title: Title to the Property shall be conveyed by warranty deed,
36		warranting against Seller's acts only, which shall specifically reference all of the
37		ground water and the surface water rights which are appurtenant to the property
38		and on file with the Arizona Department of Water Resources. The title shall be in
39		the name of the State of Arizona by and through the Arizona Department
40		Emergency and Military Affairs.
41		
42	10.	Joint Committee on Capital Review Approval Required: The State's obligation to
43		perform under this Agreement is conditioned upon the approval of the JCCR
44		pursuant to A.R.S. § 41-791.02.
45		
46	11.	Time is of the Essence: Time is of the essence of this Agreement,

1		
2 3 4 5	12.	<u>Taxes:</u> Taxes due on the Property through the Close of Escrow shall be the responsibility of and paid by the Seller. For taxes not yet due, the State shall receive a credit against the purchase price for an amount prorated to the Close of Escrow.
6 7 8 9	13.	<u>Authority</u> : Each person signing this Agreement warrants that he has the capacity, full power and authority to execute this Agreement and consummate the transaction contemplated hereby on behalf of the party he represents.
10 11 12 13 14 15 16	14.	<u>Broker Commissions</u> : Each party represents and warrants to the other that there are no brokers, finders or real estate agents or other entities involved in this transaction and there shall be no fees, commissions or other costs to be paid by either party to any broker, finder or real estate agent or other Person due to the actions of the other party.
17 18 19 20	15.	Entire Agreement: This Agreement, together with its attached exhibits, constitutes the entire agreement between the parties and supersedes any other written or oral agreement between the parties.
21	16.	Amendments: This Agreement can be modified only by a written amendment.
22 23 24 25	17.	<u>Contingencies Required To Be Met By Seller</u> : The State's obligation to consummate this transaction and to fulfill the obligations under this Agreement is subject to satisfaction of the following conditions precedent:
26 27 28		a) <u>Title Insurance and ALTA Survey</u>
29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45		(i) <u>Preliminary Title Report</u> : Within ten (10) days of the receipt of a copy of this Agreement by the Escrow Company, the Escrow Company shall provide the State a current commitment for the title insurance (the "Preliminary Title Report") disclosing all matters of record and other matters which the Escrow Company has knowledge and a legible copy of each of the instruments and documents referred to in the Preliminary Title Report. State shall have fourteen (14) days after receipt of the Preliminary Title Report and the instruments and documents referred to the Seller to any matter shown thereon. If the State objects to any matter disclosed by the Preliminary Title Report or any amendment thereof, Seller shall either rescind this Escrow Agreement on or before 5 days prior to Close of Escrow or shall have until the date of Close of Escrow to cause to be removed any such objected matter from the Preliminary Title Report and any amendment and policy of title insurance to be issued in favor of the State. If Seller does not rescind or remove the objected to
46		matter, the State as its sole remedies may waive such default and

close Escrow or may cancel this Agreement by giving written notice to Escrow Agent.

1 2

3

4

5

6

7 8

9

10

11

12

13

14

15

16

17

18

19 20

21

22 23

24

25

26

27

28

29 30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

- Title Policy: The Buyer shall cause Escrow Agent to furnish to the (ii) State an owner's ALTA extended title insurance policy for SEVEN THOUSAND THREE SEVENTY THREE HUNDRED HUNDRED and No/100 Dollars (\$773,300.00) to be paid for as provided in paragraph 19 of this Agreement, which shall be issued by the Escrow Company showing good and marketable title to the Property, free from defects, claims and encumbrances, except as follows: (1) restrictive covenants of record; (2) zoning regulations; (3) easements and rights-of-way for public utilities; (4) printed exceptions contained in the Owner's ALTA extended title insurance policy; and (5) any matters contained in the Preliminary Title Report and not objected to by the State pursuant to paragraph 17(a) (i) above. If title to the Property otherwise is defective at the Close of Escrow, the State may elect at its sole option and as its sole remedies, either to accept title subject to defects which are not cured or to cancel this Agreement.
- b) Survey: Buyer shall pay for a certified ALTA survey. ("Survey") of the Property no later than fourteen (14) days prior to the Close of Escrow setting forth an accurate legal description of the Property and showing the location of the precise boundaries thereof, together with the improvements, utilities and any other structures on the Property and all easements, encroachments, rights-of -way and other matters affecting or appurtenant to the Property, whether recorded, visible or otherwise known to exist. AZDEMA shall select the surveyor prior to the survey being performed. The area of the Property shall be set forth in the Survey.

Examination of Property: Seller shall permit access to the Property by the c) State and/or its agents upon reasonable advance notice to Seller prior to Close of Escrow, to conduct, prepare and perform any studies including, but not limited to a Phase I Environmental Assessment, surveys or reports upon the Property that the State deems necessary and for the purpose of a visual inspection and/or testing to determine, to the State's satisfaction, if there are any hazardous wastes, or other pollutants, on the Property in excess of the standards set forth in federal or state law or regulations. If any possible hazardous wastes, or other pollutants, are found, whether through visual inspection, testing or otherwise, the State may be required to disclose these findings to third persons under the public disclosure laws, and will disclose them to the appropriate federal and state agencies concerned with the enforcement of environmental laws and regulations. Access to the Property shall not interfere with the on-going business operations on the Property. The State shall restore the Property to its previous condition after any tests or investigations. The right to inspect the

Property shall not diminish nor nullify Seller's warranties or indemnifications as set forth in this Agreement. The State will be responsible to the Seller for any reasonable damages to property or injury to persons, but no demises damages, to the Property caused by it during any access to the Property under this paragraph. The State's obligations hereunder shall survive the conveyance of title or termination of this Agreement.

- 9 18. Water Rights and Non-foreign Affidavit: Seller shall provide the following documents to Escrow Company at least fourteen (14) days prior to Close of 10 Escrow for review and approval by the State. If the State does not receive the documents by such time, then the State shall have the right to cancel or extend the 12 Close of Escrow until fourteen (14) days after receipt of such documents without 13 14 penalty, at its sole option by giving written notice to Seller and Escrow Agent:
  - Assignments of Water Rights a)
  - Non-foreign Affidavit b)
  - Closing and Escrow Costs: Except as otherwise provided in this Agreement, all 19. closing and other costs shall be paid equally by the Seller and the State. The State shall pay the premium for the standard owner's title insurance policy and the additional costs of the ALTA extended owner's policy of title insurance in the amount of the Purchase Price and any endorsements desired by the State.
  - Seller's Warranties and Maintenance of the Property: Except as otherwise 20. provided in this Agreement, the Seller shall maintain and repair the Property so that, at the time possession is transferred to the State, the Property shall be in substantially the same condition as on the date of this Agreement. The Seller warrants that, prior to the Close of Escrow, payment in full will have been made for all labor, materials, machinery, fixtures or tools furnished within the one hundred twenty days (120) days immediately preceding the Close of Escrow in connection with the construction, alteration or repair of any structure on or improvement to the Property by Seller.
    - 21. Environmental Law Warranties:

1 2

3

4 5

6 7

8

11

15 16

17

18

19

20

21 22

23 24

25

26

27

28

29 30

31

32 33

34

35 36

37

38

39

40 41

42

43

44 45

- Use of the Property: The Seller warrants that to Seller's actual knowledge a) no portion of the Property is now being used for the treatment, collection, storage, or disposal of any refuse, objectionable waste or any material in violation of applicable federal, state or local law.
- Superfund Liability: The Seller warrants that to Seller's actual knowledge b) there is no current and there has been no past release of a hazardous substance, pollutant, or contaminant from or onto the Property or the environment adjacent to the Property by Seller that are subject to regulation under applicable federal, state or local law, or that may make

the State liable in tort under a common law public or private nuisance action.

c) <u>Pending Investigation or Lawsuit</u>: The Seller warrants that to its actual knowledge no portion of the Property is the subject of a pending investigation or lawsuit or administrative action by any person, firm, governmental body or other entity relating to or arising from any matter of circumstance subject to regulation pursuant to any statute, ordinance, rule or regulation described in subparagraphs 21 (a) or (b) above, and the Seller has received no official notice of any alleged violation of any applicable federal, state or local environmental law.

- d) <u>Compliance with Environmental Laws</u>: The Seller warrants that to Seller's actual knowledge, the Property and all the operations on the Property comply fully with all federal, state or local environmental laws and regulations.
- e) <u>Seller's Activities and Use</u>: The Seller warrants that to Seller's actual knowledge the Seller and its employees have not engaged in nor permitted any operations on or activities upon, or any use or occupancy of the Property for the purpose of or involving the handling, treatment, storage, use, release, discharge, refining, dumping or disposal of any substance described in subparagraphs 21 (a) or (b) above, on, under, in or about the Property in violation of applicable law, nor transported any such substances to, from or across the Property in violation of applicable law, nor has Seller, its employees constructed, deposited, stored or otherwise located such substances on, under or about the Property in violation of applicable law.
  - f) <u>Indemnity</u>: The Seller shall indemnify and hold harmless the State and AZDEMA, and their employees, and agents from and against any and all loss, damage and expense (including, but not limited to, reasonable investigation and legal fees and expenses) including, but not limited to, any damages, claim or action for injury, liability or damage to persons or property, and any and all damages, claims or actions brought by any person, firm, governmental body or other entity, resulting or arising from or in connection with a breach of any of the foregoing environmental law warranties.
    - g) <u>Survival</u>: All warranties, agreements, and indemnifications contained in subparagraphs (a) through (f) above shall survive the Close of Escrow, and shall run to the State's successors, assigns, and subsequent purchasers.
- h) <u>Termination/Discovery of Environmental Conditions</u>: Notwithstanding other termination clauses in this Agreement, the State, if it is dissatisfied with the environmental data known, or which may become known, to it,

	may cancel this Agreement to purchase the Property by giving written notice thereof.
37.	<u>Risk of Loss</u> : If there is any loss or damage to Persons or to the Property between the date of this Agreement and the Close of Escrow, by any reason, including but not limited to fire, vandalism, flood, earthquake, act of God, negligence, willfulness or recklessness, the risk of loss shall be on the Seller except as to the actions of the State and its agents.
23.	<u>Cancellation</u> : Any party who elects to cancel this Agreement because of any breach by another party, and who is not itself in breach of this Agreement except for any breach occasioned by a breach by the other party, may cancel this Agreement by delivering to the Escrow Company and the other party a written notice stating that this Agreement shall be canceled unless the breach is cured within ten (10) days following the delivery of the notice to the other party. If the breach is not cured within ten (10) days following the delivery of the notice to the other party, this Agreement shall be canceled and the breaching party shall be liable for all customary escrow cancellation charges. If this escrow fails to close for any other reason, Seller and State shall each be liable for one-half (1/2) of all customary escrow cancellation charges.
24.	<u>Survival</u> : This Agreement shall survive the Close of Escrow as to any terms, conditions, agreements, warranties, or representations which are to apply thereafter.
25.	<u>Successors and Assigns</u> : This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors-in-interest and assignees.
26.	<u>Notice</u> : All notices, requests, demands, consents, approval and any other communications which may or are required to be served or given hereunder (for the purposes of this provision collectively called "Notices"), shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the party or parties to receive such notice as follows:
	<ul> <li>a) If intended for the State to:</li> <li>Arizona Department of Emergency and Military Affairs</li> <li>5636 E. McDowell Road</li> <li>Phoenix, Arizona 85008</li> <li>Attn: Travis Schulte</li> <li>Title: Legislative Liaison</li> <li>Phone: 602-267-2732</li> </ul>
	23. 24. 25.

1		
		b) If intended for Seller to:
2 3 4 5 6 7		
4		Wittmann Family Trust
5		Attn: Mike Schwab
6		4900 N. Scottsdale Rd., #3000
7		Scottsdale, AZ 85251
8		
9		Or to such other address as either party may from time to time furnish in writing
10		to the other by notice hereunder. Any notice so mailed shall be deemed to have
11		been given as of the date such notice is received on the return receipt.
12		Furthermore, such notice may be given by delivering personally such notice, if
13		intended for the State, to Travis Schulte; if intended to the Seller to Mike Schwab
14		or to such other person as either party may from time to time designate in writing
15		to the other by notice hereunder. Any notice to deliver shall be deemed to have
16		been given as of the date such notice is personally delivered to the other party.
17		
18	27.	Time: Unless otherwise indicated, all periods of time referred to in this
19		Agreement shall refer to calendar days and shall include all Saturdays, Sundays,
20		and state or national holidays, provided that if the date or last date to perform any
21		act or give any notice with respect to this Agreement shall fall on a Saturday,
22		Sunday or state or national holiday such act or notice may be timely performed or
23		given on the next succeeding day which is not a Saturday, Sunday or state or
24		national holiday.
25		
26	28.	Headings: Headings are for convenience only and are not to be construed as part
27		of this Agreement.
28		
29		
30	37.	Negotiated Agreement: This Agreement is the result of negotiations between the
31		parties and, accordingly, shall not be construed for or against either
32		party regardless of which party drafted this Agreement or any portion
33		thereof.
34		
35		
36	37.	Invalidity of a Term: The parties agree that in the event any term, covenant or
37		condition herein contained should be held to be invalid or void, the
38		invalidity of any such term, covenant or condition shall in no way
39		affect any other term, covenant or condition of this Agreement.
40	21	Our dist of Internet. The meeting of the shift dist dist dist American is the shift to
41	31.	<u>Conflict of Interest</u> : The parties acknowledge that this Agreement is subject to
42		cancellation by the Governor of Arizona pursuant to A.R.S. § 38-511, the
43		provisions of which are incorporated herein.
44 45	20	Prohibition against Discrimination. In the arout that it applies the nartice agree to
45 46	32.	<u>Prohibition against Discrimination</u> : In the event that it applies, the parties agree to comply with the Arizona Governor's Executive Order No. 99-4 entitled
10		compry with the Alizona Governor's Executive Order 140, 55-4 childed

1 2 3		"Prohibition of Discrimination in State Contracts – Non-Discrimination in Employment by Government Contractors and Subcontractors."
4 5 6 7 8 9 10 11	33.	Maintaining and Producing Records: Pursuant to A.R.S. § 35-214, Seller shall retain for inspection and audit by the State all books, accounts, reports, files, and other records relating to the performance of this contract for a period of five years after its completion. Upon request by the Buyer, a legible copy of all such records shall be produced by the Seller at the administrative office of the State Auditor. The original of all such records shall also be available and produced for inspection and audit when needed to verify the authenticity of a copy.
11 12 13 14 15 16	34.	<u>Governing Law and Venue</u> : This Agreement shall be construed under the laws of the State of Arizona. Any arbitration or other action arising out of this Agreement, whether for the enforcement thereof or otherwise, shall be brought in Maricopa County, State of Arizona.
10 17 18 19 20	35.	<u>Arbitration</u> : To the extent required by A.R.S. § 12-1518, the parties agree to use arbitration to resolve any dispute arising out of this Agreement in accordance with Arizona law.
20 21 22 23 24	36.	<u>Relocation Assistance</u> : Seller acknowledges that any relocation assistance to which Seller may be entitled pursuant to A.R.S. § 11-961, et seq. has been included in the purchase price.
25 26 27 28 29	37.	<ul><li><u>Exhibits</u>: The following is a list of the exhibits attached, unless otherwise stated, hereto, all of which are incorporated herein by reference as if set forth in full</li><li>A) Legal Description of the Property</li></ul>
30 31		

IN WITNESS WHEREOF, this Agreement is executed in duplicate as of the day, month and year first above written.

Date:	Date:
Seller: WITTMANN FAMILY TRUST	Buyer: State of Arizona acting by and through its Department of Emergency and Military Affairs
Ву:	Ву:
Title:	Title: Director

\_\_\_\_\_, an Arizona corporation, by and through its duly authorized

representatives, hereby agrees to act as Escrow Company in accordance with the terms of the foregoing Agreement.

DATED: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_\_

#### EXHIBIT "A"

A PARCEL OF LAND BEING A PORTION OF THAT TRACT AS CONVEYED TO JOSEPH VANBEUREN WITTMANN, JR. AND BARBARA S. WITTMANN BY DEED OF RECORD IN INSTRUMENT NUMBER 2000-0963627 MARICOPA COUNTY RECORDS (MCR) AND LYING WITHIN (THE EAST HALF OF) THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 5 NORTH, RANGE 3 WEST OF THE GILA & SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTH QUARTER CORNER OF SECTION 35 (2.5 INCH GLO BRASS CAP) FROM WHICH POINT THE SOUTHWEST CORNER THEREOF (3.5 INCH GLO BRASS CAP) BEARS N89°38'12"W A DISTANCE OF 2639.69 FEET;

THENCE N89°38'12"W, ALONG THE SOUTH LINE OF SAID SOUTHWEST QUARTER OF SECTION 35, A DISTANCE OF 1319.84 FEET TO THE SOUTHEAST CORNER OF THAT TRACT AS CONVEYED TO THE STATE OF ARIZONA, DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) BY DEED OF RECORD IN INSTRUMENT NUMBER 2011-1018181, MCR;

THENCE N00°24'41"E, ALONG THE EAST LINE OF SAID DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS TRACT, A DISTANCE OF 1295.65 FEET;

THENCE S59°25'12"E, ACROSS SAID WITTMANNN TRACT, A DISTANCE OF 1526.58 FEET TO A POINT ON THE EAST LINE THEREOF BEING THE EAST LINE OF SAID SOUTHWEST QUARTER;

THENCE S00°24'26"W, ALONG SAID EAST LINE, A DISTANCE OF 527.37 FEET TO THE POINT OF BEGINNING.

THE ABOVE DESCRIBED PARCEL CONTAINS 1,203,027.55 S.F. (27.6177 ACRES) OF LAND, MORE OR LESS, INCLUDING ANY EASEMENTS OF RECORD.

THE BASIS OF BEARING FOR THE ABOVE DESCRIPTION IS N89°38'12"W FOR THE SOUTH LINE OF THE SOUTHWEST QUARTER OF SECTION 35, TOWNSHIP 5 NORTH, RANGE 3 WEST OF THE GILA & SALT RIVER MERIDIAN, MARICOPA COUNTY, ARIZONA, AS SHOWN ON THE PLSS SUBDIVISION RECORD OF SURVEY -MARICOPA COUNTY GEODETIC DENSIFICATION AND CADASTRAL SURVEY (GDACS) RECORDED IN BOOK 605, PAGE 19, MCR.

# EXHIBIT "B"

None

1	PURCHASE AGREEMENT BETWEEN
2	STATE OF ARIZONA
3	<b>ACTING BY AND THROUGH THE</b>
4	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS
5	AND
6	<b>ROCKING K HOLDINGS LP</b>
7	FOR THE PURCHASE OF REALTY
8 9 10 11	This AGREEMENT ("Agreement") is entered into this day of June, 2015, by and between the STATE OF ARIZONA (the "State" or "Purchaser"), acting by and through the Arizona Department of Emergency and Military Affairs ("AZDEMA") and Rocking K Holdings LP ("Rocking K" or "Seller").
12 13 14 15 16	WHEREAS, Seller presently owns the real property situated at multiple addresses in the 9500 and 9600 blocks of Rita Commerce Drive, Tucson, Arizona and legally described in Exhibit A, including all hereditaments, water rights, fixtures, improvements, easements and other appurtenances thereto (the "Property").
17 18 19	WHEREAS, title in fee simple to the Property shall be transferred by warranty deed from the Seller to the State pursuant to this Agreement;
20 21 22 23 24 25 26	WHEREAS, all obligations of AZDEMA to consummate the transaction contemplated by this Agreement are contingent on the fulfillment of the conditions contained in this Agreement including, but not limited to, the following: the approval of the Arizona Legislative Joint Committee on Capital Review ("JCCR"); obtaining clear title together with all appurtenances; Seller's performance of all conditions precedent of this Agreement; and the issuance of an ALTA Extended Title Insurance Policy payable as per paragraph #19 of this Agreement;
27 28 29	WHEREAS, the undersigned are authorized to enter into this Agreement on behalf of their respective parties;
30 31 32 33 24	NOW, THEREFORE, in consideration of the Property and mutual promises and undertakings herein contained, and for other good and valuable consideration, the parties agree as follows:
34 35 36 37 38	1. Sale of the Property: The Seller hereby sells to the State and the State hereby buys from the Seller all right, title and interest in the Property subject to the terms of this Agreement.

2. Purchase Price: The "Purchase Price" shall be EIGHT HUNDRED FORTY THREE THOUSAND SEVEN HUNRED FIFTY DOLLARS AND NO CENTS (\$843,750.00).

- 3. Warranties of Seller: Seller warrants, represents, covenants and acknowledges (with the understanding that the State is relying on these warranties, representations, covenants and acknowledgements and that such warranties, representations, covenants and acknowledgments shall survive the Close of Escrow except as may be reflected in the preliminary title report at the time of execution of this Agreement):
  - a.) Seller has the ability to and shall deliver fee title through a warranty deed to the Property to the State; subject to the matters shown on such title report, on the Close of Escrow, as defined hereinafter, accepted in writing by the State;
  - b) To Seller's actual knowledge there are no claims, actions, suits, or other proceedings pending or overtly threatened by any governmental department or agency or any other corporation, partnership, entity or person (as defined in A.R.S. § 1-215) whomsoever ("Person"), nor any voluntary actions or proceedings contemplated by Seller, which in any manner may detrimentally affect buyer's right, title or interest in and to the Property or the value of the Property or Seller's ability to perform Seller's obligations under this Agreement;
    - c) That no Person is in adverse possession of the Property, and there are no Persons who have been granted any license, lease or other right relating to the use or possession of the Property by Seller other than that attached as Exhibit B, which lease terminates on the day the State of Arizona completes the purchase of the Property;
    - d) That there have been no written modifications of the Lease other than those which have been provided to the State. The Lease has not been modified by any oral agreements.
    - e) To Seller's actual knowledge there is no pending or overtly threatened condemnation or similar proceeding affecting any part of the Property, and Seller has not received any notice of any such proceeding and has no knowledge that any such proceeding is contemplated;
    - f) No work has been performed or is in progress at the Property and no materials have been furnished to the Property which might give rise to mechanic's, material man's, or other liens against the Property;

1 2 3 4 5	g)	Seller is not prohibited from consummating the transactions contemplated by this Agreement instrument, any law, regulation, agreement, judgment; instrument, restriction, order, or
5 6 7 8 9 10	h)	There are no attachments, executions, assignments for the benefit of creditors, receiverships, conservatorships, or voluntary or involuntary proceedings in bankruptcy or pursuant to any other laws for relief of debtors contemplated, filed by or pending against Seller or any entities related to Seller which might affect or involve the Property.
	3	There is no default nor has any event accurred which with the passage of
11	i)	There is no default, nor has any event occurred which with the passage of
12		time or the giving of notice or both would constitute a default in any
13		contract, mortgage, deed of trust, lease, or other instrument which relates
14		to the Property or which affects the Property in any manner whatsoever.
15		
16	j)	There are no contracts or other obligations outstanding for the sale,
17		exchange, or transfer of all or any part of the Property;
18		
19	k)	Seller shall provide water rights assignments to the State;
20		
21	l)	Seller shall have performed fully and complied with the agreements
22		required to be performed or complied with by it prior to or at the Close of
23		Escrow, including satisfaction of the requirements contained in the
24		"Requirements" section of Schedule "B" of the preliminary title report
25		referred to in paragraph 17 (a) of this Agreement; and
26		
27	m)	Seller has not and will not at any time prior to Close of Escrow grant to
28	,	any person an interest in the Property other than that those listed in Exhibit
29		B (the "Leases").
30		
31	n)	If prior to the Close of Escrow Seller becomes aware of any facts or
32	)	circumstances which would render any of the above representations false
33		or materially misleading, Seller shall promptly give written notice thereof
34		to the State. Seller, without obligation or liability, may attempt to rectify
35		such matters, but if the State is not reasonably satisfied with such efforts,
36		and such facts or circumstances are not the result of Seller's intentional
37		acts, the State's sole remedies shall be: (I) to accept a modified
38		representation or warranty and close escrow as provided herein, without
39		adjustment to the sales price; or (ii) to cancel this Agreement and escrow
40		by giving written notice to Seller and Escrow Agent on or before the
41		Closing Date, in which case all obligations to buy or sell the Property shall
42		terminate. "Seller's knowledge", Seller's actual knowledge" or similar
43		phrases when used in this Agreement shall mean the actual current
44		knowledge of Chris Monson or any other agent of Rocking K without any
45		investigation or inquiry whatsoever except that specifically required by
46		this Agreement.

1		
2	4.	Escrow Company
3		
4		a) If not previously done, an escrow shall be opened by the State with Great
5		American Title Agency.
6		6
7		b) By countersigning this Agreement where indicated, Escrow Company, by
8		and through its duly authorized representative, hereby accepts this
9		transaction and agrees to act as the Escrow Company in connection with
10		this Agreement. By accepting this escrow, Escrow Agent agrees to be the
		designated "reporting person" under § 6045(e) of the U.S. Internal
11		
12		Revenue Code with respect to the real estate transaction described in this
13		Agreement and to prepare, file and deliver such information, returns and
14		statements as the U.S. Treasury Department may require by regulations or
15		forms in connection therewith, including Form 1099-B.
16		
17	5.	<u>Close of Escrow</u> : Close of escrow shall be on or before
18		
19	6.	Possession and Title: Possession and title shall pass from Seller to the State on the
20		Close of Escrow.
21		
22	Ζ.	Payment: On or before the Close of Escrow the State shall pay the Purchase Price
23		to the Escrow Company. Escrow Company shall release the funds to the Seller on
24		the Close of Escrow.
25		
26	8.	Documents and Escrow: All documents necessary to close escrow shall be
27	0.	deposited in escrow with the Escrow Company by the appropriate party. Except
28		as otherwise provided in this Agreement, the Seller and the State agree to execute
29		all documents, including, but not limited to, the documents and deeds in this
30		paragraph or otherwise necessary to close this transaction, in the standard form
		used by the Escrow Company, except that the Seller and the State hereby instruct
31		the Escrow Company to modify such documents to the extent necessary to be
32		
33		consistent with this Agreement and to be in compliance with Arizona law.
34	0	The second by we wanty doed
35	9.	Evidence of Title: Title to the Property shall be conveyed by warranty deed,
36		warranting against Seller's acts only, which shall specifically reference all of the
37		ground water and the surface water rights which are appurtenant to the property
38		and on file with the Arizona Department of Water Resources. The title shall be in
39		the name of the State of Arizona by and through the Arizona Department
40		Emergency and Military Affairs.
41		
42	10.	Joint Committee on Capital Review Approval Required: The State's obligation to
43		perform under this Agreement is conditioned upon the approval of the JCCR
44		pursuant to A.R.S. § 41-791.02.
45		
46	11.	Time is of the Essence: Time is of the essence of this Agreement.

1						
2	12.	Taxes: Taxes due on the Property through the Close of Escrow shall be the				
3		responsibility of and paid by the Seller. For taxes not yet due, the State shall				
4		receive a credit against the purchase price for an amount prorated to the Close of				
5		Escrow.				
6						
7	13.	Authority: Each person signing this Agreement warrants that he has the capacity,				
8		full power and authority to execute this Agreement and consummate the				
9		transaction contemplated hereby on behalf of the party he represents.				
10 11	14.	Broker Commissions: Each party represents and warrants to the other that there				
11	14.	are no brokers, finders or real estate agents or other entities involved in this				
12		transaction and there shall be no fees, commissions or other costs to be paid by				
13		either party to any broker, finder or real estate agent or other Person due to the				
15		actions of the other party.				
16						
17	15.	Entire Agreement: This Agreement, together with its attached exhibits, constitutes				
18		the entire agreement between the parties and supersedes any other written or oral				
19		agreement between the parties.				
20						
21	16.	Amendments: This Agreement can be modified only by a written amendment.				
22						
23	17.	Contingencies Required To Be Met By Seller: The State's obligation to				
24		consummate this transaction and to fulfill the obligations under this Agreement is				
25		subject to satisfaction of the following conditions precedent:				
26						
27		a) <u>Title Insurance and ALTA Survey</u>				
28						
29		(i) <u>Preliminary Title Report</u> : Within ten (10) days of the receipt of a				
30		copy of this Agreement by the Escrow Company, the Escrow				
31		Company shall provide the State a current commitment for the title				
32		insurance (the "Preliminary Title Report") disclosing all matters of				
33		record and other matters which the Escrow Company has				
34		knowledge and a legible copy of each of the instruments and				
35		documents referred to in the Preliminary Title Report. State shall				
36		have fourteen (14) days after receipt of the Preliminary Title				
37		<u>Report and the instruments and documents referred to therein to</u> object in writing to the Seller to any matter shown thereon. If the				
38 39		State objects to any matter disclosed by the Preliminary Title				
40		Report or any amendment thereof, Seller shall either rescind this				
40		Escrow Agreement on or before 5 days prior to Close of Escrow or				
42		shall have until the date of Close of Escrow to cause to be removed				
42		any such objected matter from the Preliminary Title Report and				
44		any amendment and policy of title insurance to be issued in favor				
45		of the State. If Seller does not rescind or remove the objected to				
46		matter, the State as its sole remedies may waive such default and				
		······································				

close Escrow or may cancel this Agreement by giving written notice to Escrow Agent.

1 2

3

4

5

6

7 8

9

10

11 12

13

14

15

16

17

18

19 20 21

22

23

24

25

26

27

28

29 30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

- Title Policy: The Buyer shall cause Escrow Agent to furnish to the (ii) State an owner's ALTA extended title insurance policy for EIGHT HUNDRED FORTY THREE THOUSAND SEVEN HUNDRED FIFTY and No/100 Dollars (\$843,750.00) to be paid for as provided in paragraph 19 of this Agreement, which shall be issued by the Escrow Company showing good and marketable title to the Property, free from defects, claims and encumbrances, except as follows: (1) restrictive covenants of record; (2) zoning regulations; (3) easements and rights-of-way for public utilities; (4) printed exceptions contained in the Owner's ALTA extended title insurance policy; and (5) any matters contained in the Preliminary Title Report and not objected to by the State pursuant to paragraph 17(a) (i) above. If title to the Property otherwise is defective at the Close of Escrow, the State may elect at its sole option and as its sole remedies, either to accept title subject to defects which are not cured or to cancel this Agreement.
- b.) <u>Survey</u>: Buyer shall pay for a certified ALTA survey. ("Survey") of the Property no later than fourteen (14) days prior to the Close of Escrow setting forth an accurate legal description of the Property and showing the location of the precise boundaries thereof, together with the improvements, utilities and any other structures on the Property and all easements, encroachments, rights-of -way and other matters affecting or appurtenant to the Property, whether recorded, visible or otherwise known to exist. AZDEMA shall select the surveyor prior to the survey being performed. The area of the Property shall be set forth in the Survey.

Examination of Property: Seller shall permit access to the Property by the c.) State and/or its agents upon reasonable advance notice to Seller prior to Close of Escrow, to conduct, prepare and perform any studies including, but not limited to a Phase I Environmental Assessment, surveys or reports upon the Property that the State deems necessary and for the purpose of a visual inspection and/or testing to determine, to the State's satisfaction, if there are any hazardous wastes, or other pollutants, on the Property in excess of the standards set forth in federal or state law or regulations. If any possible hazardous wastes, or other pollutants, are found, whether through visual inspection, testing or otherwise, the State may be required to disclose these findings to third persons under the public disclosure laws, and will disclose them to the appropriate federal and state agencies concerned with the enforcement of environmental laws and regulations. Access to the Property shall not interfere with the on-going business operations on the Property. The State shall restore the Property to its previous condition after any tests or investigations. The right to inspect the

1 Property shall not diminish nor nullify Seller's warranties or 2 indemnifications as set forth in this Agreement. The State will be responsible to the Seller for any reasonable damages to property or injury 3 to persons, but no demises damages, to the Property caused by it during 4 5 any access to the Property under this paragraph. The State's obligations hereunder shall survive the conveyance of title or termination of this 6 7 Agreement. 8 9 Water Rights and Non-foreign Affidavit: Seller shall provide the following 18. documents to Escrow Company at least fourteen (14) days prior to Close of 10 Escrow for review and approval by the State. If the State does not receive the 11 documents by such time, then the State shall have the right to cancel or extend the 12 Close of Escrow until fourteen (14) days after receipt of such documents without 13 14 penalty, at its sole option by giving written notice to Seller and Escrow Agent: 15 Assignments of Water Rights 16 a) Non-foreign Affidavit 17 b) 18 Closing and Escrow Costs: Except as otherwise provided in this Agreement, all 19 19. closing and other costs shall be paid equally by the Seller and the State. The State 20 shall pay the premium for the standard owner's title insurance policy and the 21 additional costs of the ALTA extended owner's policy of title insurance in the 22 amount of the Purchase Price and any endorsements desired by the State. 23 24 Seller's Warranties and Maintenance of the Property: Except as otherwise 25 20. provided in this Agreement, the Seller shall maintain and repair the Property so 26 that, at the time possession is transferred to the State, the Property shall be in 27 substantially the same condition as on the date of this Agreement. The Seller 28 warrants that, prior to the Close of Escrow, payment in full will have been made 29 for all labor, materials, machinery, fixtures or tools furnished within the one 30 hundred twenty days (120) days immediately preceding the Close of Escrow in 31 connection with the construction, alteration or repair of any structure on or 32 improvement to the Property by Seller. 33 34 Environmental Law Warranties: 35 21. 36 Use of the Property: The Seller warrants that to Seller's actual knowledge 37 a) 38 no portion of the Property is now being used for the treatment, collection, storage, or disposal of any refuse, objectionable waste or any material in 39 violation of applicable federal, state or local law. 40 41 Superfund Liability: The Seller warrants that to Seller's actual knowledge 42 b) there is no current and there has been no past release of a hazardous 43 44 substance, pollutant, or contaminant from or onto the Property or the environment adjacent to the Property by Seller that are subject to 45 regulation under applicable federal, state or local law, or that may make 46

the State liable in tort under a common law public or private nuisance action.

c) <u>Pending Investigation or Lawsuit</u>: The Seller warrants that to its actual knowledge no portion of the Property is the subject of a pending investigation or lawsuit or administrative action by any person, firm, governmental body or other entity relating to or arising from any matter of circumstance subject to regulation pursuant to any statute, ordinance, rule or regulation described in subparagraphs 21 (a) or (b) above, and the Seller has received no official notice of any alleged violation of any applicable federal, state or local environmental law.

- d) <u>Compliance with Environmental Laws</u>: The Seller warrants that to Seller's actual knowledge, the Property and all the operations on the Property comply fully with all federal, state or local environmental laws and regulations.
- e) <u>Seller's Activities and Use</u>: The Seller warrants that to Seller's actual knowledge the Seller and its employees have not engaged in nor permitted any operations on or activities upon, or any use or occupancy of the Property for the purpose of or involving the handling, treatment, storage, use, release, discharge, refining, dumping or disposal of any substance described in subparagraphs 21 (a) or (b) above, on, under, in or about the Property in violation of applicable law, nor transported any such substances to, from or across the Property in violation of applicable law, nor has Seller, its employees constructed, deposited, stored or otherwise located such substances on, under or about the Property in violation of applicable law.
  - f) <u>Indemnity</u>: The Seller shall indemnify and hold harmless the State and AZDEMA, and their employees, and agents from and against any and all loss, damage and expense (including, but not limited to, reasonable investigation and legal fees and expenses) including, but not limited to, any damages, claim or action for injury, liability or damage to persons or property, and any and all damages, claims or actions brought by any person, firm, governmental body or other entity, resulting or arising from or in connection with a breach of any of the foregoing environmental law warranties.
    - g) <u>Survival</u>: All warranties, agreements, and indemnifications contained in subparagraphs (a) through (f) above shall survive the Close of Escrow, and shall run to the State's successors, assigns, and subsequent purchasers.
  - h) <u>Termination/Discovery of Environmental Conditions</u>: Notwithstanding other termination clauses in this Agreement, the State, if it is dissatisfied with the environmental data known, or which may become known, to it,

may cancel this Agreement to purchase the Property by giving written notice thereof.

37. <u>Risk of Loss</u>: If there is any loss or damage to Persons or to the Property between the date of this Agreement and the Close of Escrow, by any reason, including but not limited to fire, vandalism, flood, earthquake, act of God, negligence, willfulness or recklessness, the risk of loss shall be on the Seller except as to the actions of the State and its agents.

- Cancellation: Any party who elects to cancel this Agreement because of any 23. breach by another party, and who is not itself in breach of this Agreement except for any breach occasioned by a breach by the other party, may cancel this Agreement by delivering to the Escrow Company and the other party a written notice stating that this Agreement shall be canceled unless the breach is cured within ten (10) days following the delivery of the notice to the other party. If the breach is not cured within ten (10) days following the delivery of the notice to the other party, this Agreement shall be canceled and the breaching party shall be liable for all customary escrow cancellation charges. If this escrow fails to close for any other reason. Seller and State shall each be liable for one-half (1/2) of all customary escrow cancellation charges.
  - 24. <u>Survival</u>: This Agreement shall survive the Close of Escrow as to any terms, conditions, agreements, warranties, or representations which are to apply thereafter.
  - 25. <u>Successors and Assigns</u>: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors-in-interest and assignees.
  - 26. <u>Notice</u>: All notices, requests, demands, consents, approval and any other communications which may or are required to be served or given hereunder (for the purposes of this provision collectively called "Notices"), shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the party or parties to receive such notice as follows:
    - a) If intended for the State to:

Arizona Department of Emergency and Military Affairs 5636 E. McDowell Road Phoenix, Arizona 85008 Attn: Travis Schulte Title: Legislative Liaison Phone: 602-267-2732

1		
1		b) If intended for Seller to:
2 3 4 5 6 7		b) If intended for Seller to:
3		Desking K Haldings I D
4		Rocking K Holdings LP
5		Attn: Chris Monson
6		2200 E. River Road, Suite 115
7		Tucson, AZ 85718
8 9		
		Or to such other address as either party may from time to time furnish in writing
10		to the other by notice hereunder. Any notice so mailed shall be deemed to have
11		been given as of the date such notice is received on the return receipt.
12		Furthermore, such notice may be given by delivering personally such notice, if
13		intended for the State, to Travis Schulte; if intended to the Seller to Chris Monson
14		or to such other person as either party may from time to time designate in writing
15		to the other by notice hereunder. Any notice to deliver shall be deemed to have
16		been given as of the date such notice is personally delivered to the other party.
17		
18	27.	Time: Unless otherwise indicated, all periods of time referred to in this
19	27.	Agreement shall refer to calendar days and shall include all Saturdays, Sundays,
20		and state or national holidays, provided that if the date or last date to perform any
20		act or give any notice with respect to this Agreement shall fall on a Saturday,
22		Sunday or state or national holiday such act or notice may be timely performed or
23		given on the next succeeding day which is not a Saturday, Sunday or state or
23		national holiday.
24		national nonday.
25	20	Headings: Headings are for convenience only and are not to be construed as part
	28.	
27		of this Agreement.
28		
29	27	No. 1. 1. 1. A. This Assessment is the nexult of repretiations between the
30	37.	Negotiated Agreement: This Agreement is the result of negotiations between the
31		parties and, accordingly, shall not be construed for or against either party
32		regardless of which party drafted this Agreement or any portion thereof.
33		
34		
35	37.	Invalidity of a Term: The parties agree that in the event any term, covenant or
36		condition herein contained should be held to be invalid or void, the invalidity of
37		any such term, covenant or condition shall in no way affect any other term,
38		covenant or condition of this Agreement.
39		
40	31.	Conflict of Interest: The parties acknowledge that this Agreement is subject to
41		cancellation by the Governor of Arizona pursuant to A.R.S. § 38-511, the
42		provisions of which are incorporated herein.
43		
44	32.	Prohibition against Discrimination: In the event that it applies, the parties agree to
45		comply with the Arizona Governor's Executive Order No. 99-4 entitled

1 2 3		"Prohibition of Discrimination in State Contracts – Non-Discrimination in Employment by Government Contractors and Subcontractors."
4 5 6 7 8 9 10 11	33.	Maintaining and Producing Records: Pursuant to A.R.S. § 35-214, Seller shall retain for inspection and audit by the State all books, accounts, reports, files, and other records relating to the performance of this contract for a period of five years after its completion. Upon request by the Buyer, a legible copy of all such records shall be produced by the Seller at the administrative office of the State Auditor. The original of all such records shall also be available and produced for inspection and audit when needed to verify the authenticity of a copy.
11 12 13 14 15 16	34.	<u>Governing Law and Venue</u> : This Agreement shall be construed under the laws of the State of Arizona. Any arbitration or other action arising out of this Agreement, whether for the enforcement thereof or otherwise, shall be brought in Maricopa County, State of Arizona.
17 18 19 20	35,	<u>Arbitration</u> : To the extent required by A.R.S. § 12-1518, the parties agree to use arbitration to resolve any dispute arising out of this Agreement in accordance with Arizona law.
20 21 22 23 24	36.	<u>Relocation Assistance</u> : Seller acknowledges that any relocation assistance to which Seller may be entitled pursuant to A.R.S. § 11-961, et seq. has been included in the purchase price.
24 25 26 27 28 29 30 31	37.	<ul><li><u>Exhibits</u>: The following is a list of the exhibits attached, unless otherwise stated, hereto, all of which are incorporated herein by reference as if set forth in full</li><li>A) Legal Description of the Property</li></ul>

IN WITNESS WHEREOF, this Agreement is executed in duplicate as of the day, month and year first above written.

Date:	Date:
Seller: Rocking K Holdings LP	Buyer: State of Arizona acting by and through its Department of Emergency and Military Affairs
í	
Ву:	Ву:
Title:	Title: Director

\_\_\_\_\_\_, an Arizona corporation, by and through its duly authorized representatives, hereby agrees to act as Escrow Company in accordance with the terms of the foregoing Agreement.

DATED:

By: \_\_\_\_\_

Title: \_\_\_\_\_

# EXHIBIT "A"

Lots 48 through 54 inclusive, and Lots 58 through 60 inclusive, of Rita Ranch Commerce Center, according to the plat of record in the office of the county recorder of Pima County, Arizona

# EXHIBIT "B"

None

RECORDING REQUESTED BY AND UPON RECORDING RETURN TO:

Executive Director of ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS 5636 E. McDowell Road Phoenix, Arizona 85008

> LUKE AFB TRACT NO. \_\_\_\_\_

### **RIGHT OF WAY EASEMENT**

This Right of Way Easement is made this \_\_\_\_\_ day of June, 2015, by ASHBY LAND, LLC, an Arizona limited liability company ("Grantor"), whose address is 16216 West Cherry Lynn Road, Goodyear, Arizona 85395, to the ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS, an agency of the STATE OF ARIZONA ("Grantee"), whose address is 5636 E. McDowell Road, Phoenix, Arizona 85008 ("Grantee").

WHEREAS, Grantor is the owner of the following described real property totaling 54.0959 acres located in Maricopa County, Arizona, more particularly described on <u>Exhibit "A"</u> attached hereto and incorporated herein by this reference (the "Property"), and which is the subject of this Right of Way Easement (defined below);

WHEREAS, the Property is located near or adjacent to the northern boundary of Luke Air Force Base ("Luke Air Force Base" or "Luke AFB");

WHEREAS, the Property possesses open space values that are of importance to Grantor, Grantee, Luke AFB and the general public due to its proximity to Luke AFB;

WHEREAS, the Easement is being purchased with funds provided by the Arizona Military Installation Fund pursuant to A.R.S. § 26-262 for the purpose of preserving Luke AFB, a "military installation" as defined by A.R.S. § 26-262(F);

WHEREAS, Grantor intends that the Easement be preserved and maintained by the continuation of land use patterns existing at the time of this grant, which it is acknowledged, do not significantly impair or interfere the open space values of the Easement;

WHEREAS, Grantor intends that the open space values be preserved and continued, in a manner consistent with Grantor's private ownership, use and quiet enjoyment of the Easement;

WHEREAS, Grantor, by making the grant of the Easement, and Grantee, by accepting and acquiring this grant of the Easement, forever intend and agree to honor the intentions of the other, as stated herein, and to preserve and protect the open spaces of the Easement; and WHEREAS, pursuant to A.R.S. § 26-262(E), Grantee has reviewed the recommendations of the Military Affairs Commission to award monies in the fund, established pursuant to A.R.S. § 26-262, to Grantor for the purpose of accepting and acquiring the grant of the Easement to be used for military installation preservation and enhancement of Luke AFB, and is making the monies in the fund available for such purpose;

WHEREAS, all obligations of AZDEMA to consummate the transaction contemplated by this Agreement are contingent on the fulfillment of the conditions contained in this Agreement including, but not limited to, the following: the approval of the Arizona Legislative Joint Committee on Capital Review ("JCCR");

**NOW THEREFORE**, in consideration of the above, which are fully incorporated herein, and the mutual covenants contained herein, the parties agree as follows:

A. Grantor, for and in consideration of the sum of \$1,277,750.00, the receipt and sufficiency of which is hereby acknowledged, does hereby grant and convey to Grantee and its assigns, an easement in and over the Property particularly identified and described on **Exhibit "A"** and a right of way for the free and unrestricted operation of aircraft, on, to, and over the Property from and to the nearby air field presently known as Luke Air Force Base, Arizona ("Easement"). As used herein, the term "aircraft" shall mean any contrivance now known or hereafter invented, used, or designed for navigation of or flight into the air. Grantor agrees that the payment by the Grantee of the considerations recited above shall constitute fair value and full compensation to the Grantor for the Easement and rights granted herein, whether such Easement and rights shall be exercised by the Grantee, and the Grantor expressly releases and relinquishes any claim for further or future payment of consideration for this Easement and the rights granted herein.

B. The aforesaid Easement and right-of-way is for the benefit of the Grantee and includes but is not limited to:

1. The right to fly or permit the flight of aircraft free and unobstructed, above, over, through, or in the vicinity of the Property.

2. The right to cause within, and to enter or penetrate into or transmit through, any improved or unimproved portion of the Property, or any airspace above the ground surface or the Property, such noises, vibrations, fumes, fuel particles, smoke, dust, light, air currents, electrical emission, electronic emissions, electromagnetic emissions, and such other effects as may result from flight of aircraft on, around, departing, approaching, taking off from or landing on Luke AFB or from the operation or maintenance of aircraft at Luke AFB, notwithstanding the extent of interference that such activities may have upon the use or value of the Grantor's remaining estate.

C. Grantor reserves to itself, its heirs and assigns, and any tenants or licensees, all such rights and privileges as may be used and enjoyed without interfering with the rights hereby provided to the Grantee, including Grantor's rights to use Property for agriculture, livestock grazing (excluding feedlots and dairy herds), permanent open space, rights of way for fence, highways, bicycle trails, or single track railroads, underground communications and utility rights

of way, and any and all uses permitted by governmental statute, rule or regulation including but not limited to Arizona Revised Statutes § 28-8481.

1. In determining the extent of Grantor's rights and privileges so as to not interfere with the rights provided to Grantee, Grantor's right to use the Property for agriculture includes current or reasonably equivalent mechanized plowing and cultivation methods and current or reasonably equivalent irrigation practices.

2. In further determining the extent of Grantor's rights and privileges so as to not interfere with the rights provided to Grantee, the parties understand and agree that Grantor's right to use the Property for agriculture allows for the growing and covered storage of grain crops, but does not include the open storage of grain crops.

3. Grantor agrees that its rights and privileges do not permit the releasing of any substance in the air that unreasonably interferes with pilot visibility. In construing this understanding, the parties agree that the dust and other particles produced or released by current or reasonably equivalent mechanized plowing and cultivation methods, and current or reasonably equivalent irrigation practices, do not unreasonably interfere with pilot visibility.

4. Grantor agrees that its rights and privileges do not permit any use which unreasonably attracts birds or waterfowl. In construing this understanding, the parties agree that current or reasonably equivalent mechanized plowing and cultivation methods, and current or reasonably equivalent irrigation practices, do not unreasonably attract birds or waterfowl.

5. Grantor agrees that its rights and privileges do not permit causing or allowing electrical, electronic, or electromagnetic emissions which may interfere with aircraft, aircraft communication systems, aircraft navigational equipment, or radar operation.

D. Grantor retains the right to maintain, renovate and replace existing structures in substantially the same location and size. Any replacement may not substantially alter the character or function of the structure. Prior to beginning renovation or replacement of an existing structure, Grantor will provide a written plan to Grantee for Grantee review and approval, which approval shall not be unreasonably withheld.

E. Grantee takes the above rights subject to all existing easements for public roads and highways, rights of way, public utilities, railroads and pipelines.

F. This Easement will terminate if Grantee or a successor to the Grantee under the Easement discontinues the use of the airfield presently known as Luke Air Force Base, Arizona, or known by any other name, for the operation of aircraft. In such event, of discontinuance of aircraft operations at the airfield, this easement shall terminate automatically.

Otherwise, this Easement may not be modified, amended, or terminated except by execution and delivery of an instrument executed and acknowledged by Grantee, and Grantor agrees that in the absence of such instrument, no conduct by Grantee or increase, diminution, or change in the use

of this Easement shall constitute an overburdening of the Easement or a termination or abandonment of the Easement.

G. Failure of Grantee to insist in any one or more instances upon strict performance of any of the terms of this Easement shall not be construed as a waiver or relinquishment of the Grantee's right to the future performance of any such terms, but the rights of Grantee shall continue in full force and effect.

H. Grantor for itself and its successors and assigns covenants that the subject and terms of this Easement shall run with the land, and Grantor agrees to release and hold Grantee harmless from any claim made by Grantor based upon taking or interference with the use, enjoyment and value of the Property arising from or in connection with the flight or use of aircraft within the scope of this Easement and from any claim or damage to the Property caused by the necessary and reasonable exercise of Grantee's rights under this Easement.

I. The covenants and agreements set forth herein shall extend to and inure in favor of and to the benefit of, and shall be binding on the heirs, administrators, executors, successors in ownership and estate, assigns and lessee's of Grantor and Grantee.

J. If Grantee determines that a violation of the terms of this Easement has occurred or is threatened, Grantee shall give written notice to Grantor of such violation and demand corrective action sufficient to cure the violation and, where the violation involves injury to the Property resulting from any use or activity by Grantor that is inconsistent with the purpose of this Easement, to restore the portion of the Property injured to its prior condition with a plan approved by Grantee at Grantor's expense.

K. If Grantor fails to cure the violation within twenty (20) days after receipt of notice thereof from Grantee, or under circumstances where the violation cannot reasonably be cured within a twenty (20) day period, fails to begin curing the violation within the twenty (20) day period, or fails to seek accommodation to cure the violation, or fails to continue diligently to cure such violation until finally cured, Grantee may bring an action at law or in equity in a court of competent jurisdiction to enforce the terms of this Easement, to enjoin the violation, *ex parte* as necessary, by temporary or permanent injunction, and to require the restoration of the Property to the condition that existed prior to any such injury.

L. Should Grantor violate the terms hereof, and should Grantee elect to seek injunctive relief or otherwise to enter upon the Property in accordance with the terms hereof to prevent further violation, or to correct such violation or to restore damage as a result of such violation, and except as provided in Section M hereof, Grantee shall first give Grantor ten (10) days written notice before entering upon the Property for such purposes. Grantor shall reimburse Grantee for its reasonable costs or expenses incurred in abating or correcting any such violation, including but not limited to reasonable court costs and attorneys' fees. Nothing herein shall purport to create liability to Grantor for damage to the Property due to Acts of God, or due to fire damage not deliberately or intentionally caused by Grantor, but Grantor shall nevertheless be required to indemnify Grantee as provided in Section U with respect to any claims made against Grantee by any third party arising from a controlled burn by Grantor. M. In the event emergency circumstances or prevention of an immediate threatened breach requires, Grantee has the right to enter the Property to enforce the terms of this Easement without notice while not unreasonably interfering with Grantor's use and quiet enjoyment of the Property.

N. Enforcement of the terms of this Easement shall be at the discretion of Grantee and any forbearance by Grantee to exercise its rights under this Easement in the event of any breach of any term of this Easement shall not be construed to be a waiver of such term or of any subsequent breach of the same or any other term of this Easement or of Grantee's rights under this Easement. No delay or omission by Grantee in the exercise of any right or remedy upon any breach shall impair such right or remedy or be construed as a waiver of such a right or remedy.

O. In connection with litigation or arbitration proceeding under this Easement, the prevailing party shall be entitled to recover from the other party its expenses, including, without limitation, costs and expenses of suit and reasonable attorneys' fees. Furthermore, any costs of restoration necessitated by Grantor's violation of the terms of this Easement shall be borne by Grantor.

P. Other than the remedies available to the parties pursuant to Sections J through M above, the parties agree to resolve all disputes arising out of or relating to this Easement through arbitration, but only to the extent required by A.R.S. § 12-1518; and, in no event shall arbitration be employed to resolve a dispute which is otherwise subject to administrative review. Nothing in this subsection itself shall be deemed to give a rise to administrative review.

Q. Grantor retains all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operation, upkeep, and maintenance of the Property, including the maintenance of adequate liability insurance coverage. Grantor remains solely responsible for obtaining any applicable governmental permits and approvals for any construction or other activity or use which shall be undertaken in accordance with all applicable federal, state, and local laws, regulations, and requirements. Grantor shall keep the Property free of any mechanics' or materialmen's liens arising out of any work performed for, materials furnished to, or obligations incurred by the Grantor. Grantor shall pay, before delinquent, any and all taxes, assessments, fees and charges levied or assessed by competent authority on the Property, including any taxes imposed upon, or incurred as a result of the Easement, and shall furnish Grantee with satisfactory evidence of payment upon request.

R. Grantor represents and warrants that, after reasonable investigation and to the best of its knowledge:

(1) No substance defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation, or requirement as hazardous, toxic, polluting, or otherwise contaminating to the air, water, soil, or in any way harmful or threatening to human health or the environment exists or has been released, generated, treated, stored, used, disposed of, deposited, abandoned, or transported in, on, from, or across the Property, provided that nothing in this Section purports to apply to fertilizers, biocides or other such permitted substances incident to stockraising and ranching activities;

- (2) There are not now any underground storage tanks located on the Property, whether presently in service or closed, abandoned, or decommissioned, and no underground storage tanks have been removed from the Property in a manner not in compliance with applicable federal, state, and local laws, regulations, and requirements;
- (3) Grantor and the Property are in compliance with all federal, state, and local laws, regulations, and requirements applicable to the Property and its use;
- (4) There is no pending or threatened litigation in any way affecting, involving, or relating to the Property; and
- (5) No civil or criminal proceedings or investigations have been instigated at any time or are now pending, and no notices, claims, demands, or orders have been received, arising out of any violation or alleged violation of, or failure to comply with, any federal, state, local law, regulation, or requirement applicable to the Property and its use, nor do there exist any facts or circumstances that the Grantor might reasonably expect to form the basis for any such proceedings, investigations, notices, claims, demands, or orders.

S. If at any time there occurs, or has occurred, an unlawful release by Grantor or by any of Grantor's family members, employees, agents, contractors, or invitees (other than Grantor) in, on, or about the Property of any substance now or hereafter defined, listed, or otherwise classified pursuant to any federal, state, or local law, regulation, or requirement as hazardous, toxic, polluting, or otherwise contaminating to the air, water, or soil, or in any way harmful or threatening to human health or the environment, Grantor agrees to take all steps necessary to assure its containment and remediation, including any cleanup that may be required.

T. Nothing in this Easement shall be construed as giving rise, in the absence of a judicial decree, to any right or ability in Grantee to exercise physical or managerial control over the day-to-day operations of the Property, or any of Grantor's activities on the Property, or otherwise to become an operator with respect to the Property within the meaning of The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA").

U. Grantor hereby releases and agrees to hold harmless, indemnify, and defend Grantee and its employees and agents and assigns and each of them (collectively "Indemnified Parties") from and against any and all claims, including claims asserting liabilities, penalties, fines, charges, costs, losses, damages, expenses, causes of action, claims, demands, orders, judgments, or administrative actions, including, without limitation, reasonable attorneys' fees, arising from: (1) injury to or the death of any person, or physical damage to any Property, caused, in whole or in part, by the negligent or willful acts or omissions of Grantor or any of its owners, directors, agents, employees or subcontractors occurring on or about the Property including, but not limited to, any such third party claims made against Grantee by any third party arising from a controlled burn by Grantor referred to in Section L hereof; (2) Grantor's violation of, or failure to comply with, any state, federal, or local law, regulation, or requirement in any way affecting, involving,

or relating to the Property; (3) the presence or release in, on, from, or about the Property, at any time, now or hereafter, of any hazardous or toxic substance or pollutant regulated under state or federal law, except as contemplated or permitted hereunder. It is the specific intention of the parties that the Indemnified Parties shall, in all instances, except for claims arising solely from the negligent or willful acts of the Indemnified Parties, be indemnified by Grantor from and against any and all claims.

V. If all or any part of the Property is taken by exercise of the power of eminent domain or acquired by purchase in lieu of condemnation, whether by public, corporate, or other authority, so as to terminate this Easement, in whole or in part, the parties shall act jointly to recover the full value of their interests in the Property, subject to the taking or in lieu of purchase and all direct or incidental damages resulting therefrom. All expenses reasonably incurred shall be paid out of the amount recovered.

W. Grantor agrees to incorporate the terms of this Easement by reference in any deed or other legal instrument by which Grantor divests itself of any interest in all or a portion of the Property, including without limitation, a leasehold interest. Grantor further agrees to give written notice to Grantee of the transfer of any interest in the Property subject to this Easement at least 30 days prior to the date of such transfer. The failure of Grantor to perform any act required by this subsection shall not impair the validity of this Easement or to limit its enforceability in any way.

X. Grantee shall record this instrument in a timely fashion in the official records of Maricopa County, and may re-record it at any time as may be required to preserve Grantee's rights in this Easement.

Y. Any notice, demand, request, consent, approval, or communication that any party desires or is required to give to the other shall be in writing and either served personally or sent by first class mail, postage prepaid, to the other party at the address shown at the beginning of this Easement, or at such other address as a party may hereafter specify by written notice to the other party.

Z. Any general rule of construction to the contrary notwithstanding, this Easement shall be liberally construed in favor of the grant to effect the purposes of this Easement. If any provision of this instrument is found to be ambiguous, invalid, or unenforceable, an interpretation consistent with the purposes of this Easement that would render the provision valid and enforceable shall be favored over interpretation that would render it invalid or unenforceable.

AA. This instrument sets forth the entire agreement between the parties with respect to this Easement.

BB. The laws of the State of Arizona shall govern the validity, performance, and enforcement of this Easement. Notwithstanding which of the parties may be deemed to have prepared this Easement, this Easement shall not be interpreted either for or against Grantor or Grantee, but this Easement shall be interpreted in accordance with the general tenor of the language in an effort to carry out the purposes of this Easement. CC. The covenants, terms, conditions, and restrictions of this Easement shall be binding upon, and inure to the benefit of, the parties, hereto and their respective personal representatives, heirs, successors, and assigns and shall continue as a servitude running in perpetuity with the Property. The terms "Grantor," and "Grantee" wherever used herein, and any pronouns used in place thereof, shall include, respectively, the above-named Grantor its successors, and assigns, and the above-named Grantee and its successors and assigns.

DD. The Parties hereby acknowledge that they are bound by Executive Order 99-4 and other applicable State and Federal laws concerning non-discrimination.

EE. Notwithstanding any other provision in this Easement, every obligation of Grantee under this Easement is conditioned upon the availability of funds continuing to be appropriated or allocated for the payment of such obligation. If funds are not allocated and available for the performance of any obligation of Grantee under this Easement, Grantee's obligations under this Easement may be terminated by Grantee at the end of the period for which funds are available. No liability shall accrue to Grantee in the event that Grantee terminates any of its obligations under this Easement pursuant to this Section EE, and Grantee shall not be obligated or liable for any future payments or for any damages as a result of the termination by Grantee of its obligations hereunder. While any obligations of Grantee are terminable under the conditions set forth in this Section EE, nothing in this Section purports to address termination of the Easement.

FF. The parties may execute this instrument in two or more counterparts, which shall, in the aggregate, be signed by all parties; each counterpart shall be deemed an original instrument as against any party who has signed it. In the event of any disparity between the counterparts produced, the recorded counterpart shall be controlling.

IN WITNESESS WHEREOF, Grantor has caused this Easement to be executed by its duly authorized representative this \_\_\_\_\_\_ day of June, 2015.

### **GRANTOR**:

ASHBY LAND, LLC, an Arizona limited liability company

### **GRANTEE**:

ARIZONA DEPARTMENT OF MILITARY AND EMERGENCY AFFAIRS, an agency of the STATE OF ARIZONA

By:			
Its:			

By: \_\_\_\_\_\_ Its: \_\_\_\_\_

	, the	of		
This instrument	was acknowledged	before me on	, 201	by
County of Maricopa	)			
	) ss.			
STATE OF ARIZONA	)			

Notary Public

My Commission Expires:

## EXHIBIT "A"

Maricopa County Assessor's parcel 501-02-005B, generally described as the Southeast quarter of Section 13, Township 2 North, Range 2 West of the Gila & Salt River Baseline & Meridian within Maricopa County, and Maricopa County Assessor's parcels 501-61-015 and 016, generally described as part of Section 18, Township 2 North, Range 1 West of the Gila & Salt River Baseline & Meridian within Maricopa County.