

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 14, 2021

2:00 p.m. or upon adjournment of the JLBC meeting

House Hearing Room 1

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

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SENATE

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CHAIRMAN

LELA ALSTON
SEAN BOWIE
RICK GRAY
SINE KERR
VINCE LEACH
REBECCA RIOS

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LORENZO SIERRA
BEN TOMA

**** REVISED #2 ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 14, 2021

2:00 P.M. or upon adjournment of the JLBC Meeting
House Hearing Room 1

MEETING NOTICE

- Call to Order
- [Approval of Minutes of October 5, 2021.](#)
- 1. ARIZONA DEPARTMENT OF ADMINISTRATION
 - ***A. [Consider Recommending FY 2022 Rent Exemption.](#)
 - ***B. [Review of Arizona Department of Corrections Building Demolition and Arizona Department of Education HVAC System Revisions.](#)
- 2. [***ATTORNEY GENERAL - Review of Deferred Maintenance Capital Project.](#)
- 3. [***DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Review of Expenditures for Land Purchases.](#)
- 4. [DEPARTMENT OF JUVENILE CORRECTIONS - Review of Door Replacement Capital Project.](#)
- 5. [***ARIZONA STATE LOTTERY COMMISSION - Review of FY 2022 Building Renewal Allocation Plan.](#)
- 6. [***NORTHERN ARIZONA UNIVERSITY - Review of Capital Projects.](#)



7. ARIZONA STATE UNIVERSITY - Review of Mill Avenue Parking Structure Project.

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

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

~~12/07/2021~~

12/13/2021

kp

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



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VACANT

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

October 5, 2021

The Chairman called the meeting to order at 10:52 a.m., Tuesday, October 5, 2021 in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Chairman	Representative Cobb, Vice-Chairman
	Senator Alston	Representative Bolding
	Senator Bowie	Representative Fernandez (Temporary Member in place of Representative Lieberman)
	Senator Kerr	Representative Nguyen (Temporary Member in place of Representative Kavanagh)
	Senator Leach	Representative Osborne
	Senator Rios	Representative Schwiebert (Temporary Member in place of Representative Friese)
Absent:	Senator Gray	Representative Toma

APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of July 15, 2021. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2022 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to

(Continued)

expenditure. ADOT requested that the Committee review its \$15,710,400 FY 2022 Building Renewal Allocation Plan. The JLBC Staff provided options.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Wickenburg Project.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. ADOT requested Committee review of its FY 2020 and FY 2022 appropriations totaling \$7,750,000 for the Wickenburg Maintenance Facility project. The JLBC Staff provided options and a potential provision:

- A. *Prior to proceeding with the project, ADOT shall submit to the Committee a more detailed explanation of the \$2.0 million in site work along with an explanation of how ADOT will address the flooding issues on the property.*

ARIZONA STATE UNIVERSITY (ASU) - Review of New Academic Building and Campus Renovation Projects.

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$198,910,000 in system revenue bond issuances, of which \$107,100,000 will be to construct a new classroom office building and replace a utility tunnel network and \$91,810,000 will be for renovations to existing campus buildings. ASU will fund the debt service payments with tuition. The JLBC Staff provided options and potential provisions:

Standard University Financing Provisions

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service or any operations and maintenance costs when the projects are complete.*
- B. *ASU shall provide the final debt service schedule and interest rate for the projects as soon as they are available.*
- C. *On or before October 15 of each year until completion of the projects, ASU shall report to the JLBC Staff on the status and expenditures of the projects. The report shall include the project expenditures to date by building, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the projects.*

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of Patagonia Lake State Park Floating Restrooms and Pump Boat.

A.R.S. § 41-1252 requires Committee review of expenditure plans for any capital project with an estimated cost of more than \$250,000. AGFD requested Committee review of a \$454,600 project to build 3 floating restrooms and purchase 1 pumpout boat at Lake Patagonia State Park. The JLBC Staff provided options.

Representative Cobb moved that the Committee give a favorable review of the 4 consent agenda items listed above with JLBC Staff provisions. The motion carried.

REGULAR AGENDA

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Arizona Department of Corrections Building Relocation and Renovation.

Ms. Rebecca Perrera and Mr. Geoffrey Paulsen, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. In July, JCCR reviewed all but \$4,600,000-of the FY 2022 ADOA building renewal appropriation.

ADOA requested review of the \$4,600,000 to renovate 701 W Jefferson to relocate the Arizona Department of Corrections (ADC) in the old AHCCCS building. In addition, ADOA plans to reallocate its \$500,000 emergency allocation and ADC intends to use \$4,185,000 from ADC's operating budget for a total project budget of \$9,300,000. The JLBC Staff provided options.

Mr. Andy Tobin, Director, ADOA, responded to member questions.

Representative Cobb moved that the Committee give a favorable review of the agency's expenditure plan. The motion passed by a roll call vote of 7-5-0-2. (Attachment 1).

Without objection, the meeting adjourned at 11:17 a.m.

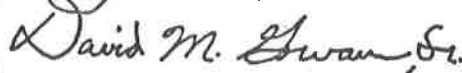
Respectfully submitted:



Kristy Paddack, Secretary

Rebecca Perrera

Rebecca Perrera, Assistant Director



Senator David Gowan, Chairman

JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: October 5, 2021

ITEM #: ADOA

MOTION: FAVORABLE REVIEW OF THE AGENCY'S EXPENDITURE PLAN

ITEM #:

MOTION:

	<u>PRESENT</u>	<u>ABSENT</u>	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON	X				X		
SEN. BOWIE	X			X			
REP. BOLDING	X				X		
REP FERNANDEZ	X				X		
SEN. GRAY		X					X
SEN. KERR	X			X			
SEN. LEACH	X			X			
REP. NGUYEN	X			X			
REP. OSBORNE	X			X			
SEN. RIOS	X				X		
REP. SCHWIEBERT	X				X		
REP. TOMA		X					X
REP. COBB	X			X			
SEN. GOWAN	X			X			
TOTALS	12	2		7	5	0	2

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					
SEN. BOWIE					
REP. BOLDING					
REP FERNANDEZ					
SEN. GRAY					
SEN. KERR					
SEN. LEACH					
REP. NGUYEN					
REP. OSBORNE					
SEN. RIOS					
REP. SCHWIEBERT					
REP. TOMA					
REP. COBB					
SEN. GOWAN					

TOTALS



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DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Consider Recommending FY 2022 Rent Exemption

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if an agency does not occupy their space or lacks the financial resources to make a payment. ADOA requests the Committee recommend a partial rent exemption for Arizona State Parks Board (ASPB) totaling \$65,200 in FY 2022 for the relocation of its State Historic Preservation Office (SHPO).

Committee Options

The Committee has at least the following 2 options:

1. The Committee recommends the FY 2022 partial rent exemption of \$65,200 for ASPB.
2. The Committee does not recommend the partial rent exemption.

Key Points

- 1) Statute allows ADOA to grant rent exemptions to agencies who do not occupy their state-owned space or lack resources to make a payment.
- 2) ADOA requests a partial rent exemption of \$65,200 for the Parks Board due to a reduction in their office space.

(Continued)

Analysis

A.R.S. § 41-792.01D provides that the rental fee charged to state agencies that occupy state-owned buildings is the greater of the amount reported by the JLBC Staff or the adjusted amount based on actual occupancy.

ADOA annually provides the JLBC Staff the rentable square feet space allocated to agencies that occupy ADOA owned-managed space.

ADOA requests the Committee recommend a partial rent exemption for ASPB's State Historic Preservation Office at 1100 W Washington (Evans' House) totaling \$65,200 in FY 2022. ASPB has relocated the office to the building next door at 1110 W Washington. The Evans House is now vacant and ADOA has not yet determined its future occupancy.

NB:lm

Douglas A. Ducey
Governor



Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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

December 2, 2021

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



The Honorable Regina E. Cobb, Vice Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Gowan and Representative Cobb:

A.R.S. § 41-792.01(D) provides that agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy. The Arizona Department of Administration (ADOA) Director, on recommendation of the Joint Committee on Capital Review (JCCR), may authorize a whole or partial exemption of Capital Outlay Stabilization Fund (COSF) rent if the agency does not have the financial resources to pay its rent or vacates space after the beginning of the fiscal year.

The ADOA requests favorable recommendation of its intent to authorize a whole COSF rent exemption for the Arizona State Parks and Trails (ASPT) for its space at 1100 W Washington (Evans' House) of \$65,200 for FY 2022 and beyond. The ASPT compressed its overall office space by 26% by eliminating a private sector lease at its expiration, relocating its administrative offices to 1110 W Washington (the Natural Resources facility), and consolidating ASPT State Historic Preservation Office (SHPO) from 1100 W Washington (Evans' House) to 1110 W Washington and virtual workplace. Beginning FY 2023, ASPT will have achieved approximately \$70,000 in annual rental savings as a result of its compression efforts.

The relocation and compression of ASPT is but one of several components of ADOA's Compression Plan that endeavors to reduce the State's physical footprint, lessen the State's

The Honorable David M. Gowan
The Honorable Regina E. Cobb
December 1, 2021
Page 2 of 2

deferred major maintenance liabilities, and create a best in class hoteling/shared workspace model such as that at 1400 W Washington.

If you have any questions regarding ADOA's proposed COSF rent exemption for ASPT for its occupancy at 1100 W Washington, please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-542-1790.

Sincerely,



Ray Di Ciccio
Deputy Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Assistant Director, JLBC Staff
Matt Gress, Director, OSPB
Bill Greeney, Deputy Director, OSPB
Theresa Vencill, Capital Budget Analyst, OSPB
Zachary Harris, Senior Budget Analyst, OSPB
Andy Tobin, Director, ADOA
Elizabeth Thorson, Deputy Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
Jacob Wingate, Chief Financial Officer, ADOA/DBF
Elizabeth Bartholomew, Legislative Liaison, ADOA
John Hauptman, General Manager, ADOA/GSD
Robert Broscheid, Executive Director, ASPT



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DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Rebecca Perrera, Assistant Director

SUBJECT: Arizona Department of Administration - Review of Arizona Department of Corrections Building Demolition and Arizona Department of Education HVAC System Revisions.

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Arizona Department of Administration requests review of its plan to spend \$2,800,000 to demolish the Arizona Department of Corrections (ADC) office buildings and renovate the Arizona Department of Education (ADE) central plant (HVAC).

Committee Options

The Committee has at least the following 2 options:

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

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

- A. Within 10 days of awarding the contract for the project, ADOA shall submit a report to the Committee indicating the finalized project scope and budget.

Key Points

- 1) ADOA proposes to demolish 2 ADC buildings located on the Capitol Mall after ADC relocates.
- 2) ADOA plans to renovate the HVAC system that these 2 buildings share with ADE.
- 3) The FY 2022 budget appropriated \$2.8 million for this purpose but ADOA has not yet completed its procurement.

(Continued)

Analysis

ADC currently occupies 2 adjacent buildings on the Capitol Mall at 1601 and 1645 West Jefferson. The FY 2022 budget appropriated \$2,800,000 to ADOA to demolish the ADC buildings due to their age and structural issues. ADC will relocate to the vacant AHCCCS building located at 701 E Jefferson. At the October 2021 JCCR meeting, the Committee gave a favorable review of ADOA and ADC's renovation project totaling \$9,300,000. The renovation project will be completed by the end of FY 2022. ADOA has yet to begin the procurement for the demolition so they have not yet provided a cost estimate of that portion of the project.

ADOA also plans to use the \$2.8 million to renovate the HVAC central plant that is currently shared by the 2 ADC buildings and the ADE building at 1535 W Jefferson. ADOA reports that the current central plant needs total replacement. ADOA's proposal includes "right" sizing the central plant to service only ADE. The central plant renovation will start after ADC relocates but the components have a long lead time for purchase. The HVAC renovation is expected to cost approximately \$1.0 million.

At a minimum, ADOA plans to replace the 2 buildings with a gravel lot. If they have sufficient monies in the appropriation, they will also consider paving the lot. As a result, the Committee may consider a provision requiring ADOA to report to the Committee on the results of their procurement process.

RP:kp

Douglas A. Ducey
Governor



Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

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PHOENIX, ARIZONA 85007
(602) 542-1500

November 22, 2021

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Gowan and Representative Cobb:

Laws 2021, First Regular Session, Chapter 406 (SB1820) appropriated \$2,800,000 to the Arizona Department of Administration (ADOA) for the demolition of two State-owned buildings at 1601 and 1645 W Jefferson St in Phoenix and to relocate and right size the physical plant that supports the foregoing buildings as well as the building located at 1535 W Jefferson Street. A.R.S. § 41-1252 requires ADOA to submit the scope, purpose, and estimated costs to the Joint Committee on Capital Review (JCCR).

The Arizona Department of Corrections, Rehabilitation and Reentry (ADCRR) currently occupies the 1601 and 1645 buildings. ADCRR will relocate to 701 E Jefferson St. Originally built in 1973, 1645 W Jefferson St has amassed over \$11.1 million of deferred maintenance. The 1601 W Jefferson St office building was built in 1971 and has accrued over \$13 million in deferred maintenance. The demolition of the 1601 and 1645 W Jefferson will reduce the number of buildings served by the mechanical plant from three to one, rendering the plant oversized for a single facility. ADOA plans to relocate and resize the plant to accommodate the remaining 1535 W Jefferson St facility. The mechanical plant conversion must take place prior to the demolition of 1601 and 1645 W Jefferson in order to maintain continuity of operations. Long lead times for equipment and schedule require the State to purchase the new HVAC equipment immediately.

The Honorable David M. Gowan
The Honorable Regina E. Cobb
November 22, 2021
Page 2 of 2

ADOA requests JCCR's favorable review of ADOA's FY 2022 Capital Outlay Appropriation of \$2,800,000.

If you have any questions regarding ADOA's FY 2022 Capital Outlay Appropriations please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-542-1790.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy M. Tobin".

Andy Tobin
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Assistant Director, JLBC Staff
Matt Gress, Director, OSPB
Bill Greeney, Deputy Director, OSPB
Theresa Vencill, Capital Budget Analyst, OSPB
Elizabeth Thorson, Deputy Director, ADOA
Ray DiCiccio, Deputy Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
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DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Ryan Fleischman, Fiscal Analyst

SUBJECT: Attorney General - Review of Deferred Maintenance Capital Project

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Attorney General (AG) requests review of its plan to spend \$4,000,000 on deferred maintenance at its 15 S. 15th Avenue location.

Committee Options

The Committee has at least the following 2 options:

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

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

- A. Within 10 days of awarding the contract for the project, the AG shall submit a report to the Committee indicating the final project scope and budget.

Key Points

- 1) The FY 2022 Capital Outlay bill appropriated \$4.0 million to the Attorney General for deferred maintenance at 15 S. 15th Avenue.
- 2) The plan includes \$2.4 million for ceiling grid and lighting replacements, \$1.2 million to replace HVAC water source heat pumps, \$320,000 for restroom fixture and piping replacements, and \$26,000 for cabling maintenance.
- 3) The AG estimates the project will be completed by June 2023.

(Continued)

Analysis

The FY 2022 Capital Outlay bill appropriated \$4.0 million from the Collections Enforcement Revolving Fund to the Attorney General for deferred maintenance projects at its 15 S. 15th Avenue location. *Table 1* below outlines the Attorney General's proposed expenditure plan.

Table 1	
Deferred Maintenance Proposed Expenditures	
Item Description	Estimated Cost
Replace Ceiling Grid and Lighting	\$2,430,000
Replace HVAC Water Source Heat Pumps	1,224,000
Replace Restroom Fixtures and Piping	320,000
Cabling Maintenance	26,000
Expenditure Plan Total	\$4,000,000

The AG reports that ADOA has conducted several emergency repairs in the last few years, including replacing 3 failed water source heat pumps in July 2021 and replacing damaged drain and sink piping in May 2020 on the 3rd floor and 2017-2018 on the 1st floor.

The AG estimates the project will be completed by June 2023. At the time of submission, a vendor had not yet been awarded the contract for this project. With recent cost increases, the AG is uncertain whether the appropriation will be sufficient to accomplish the entire scope of the project. The Committee may also require the AG to submit a report indicating the final project scope and budget within 10 days of awarding the contract for the project.

Replace Ceiling Grid and Lighting

The plan would spend \$2.4 million to replace the ceiling grid, ceiling tiles, and lighting with LED flat panel light fixtures on 4 floors of the building. This component of the project has previously been completed on the 4th floor.

Replace HVAC Water Source Heat Pumps

The plan would spend \$1.2 million to replace approximately 153 HVAC water source heat pumps on the 5 floors of the building. The AG reports that the current pumps are beyond their useful life expectancy.

Replace Restroom Fixtures and Piping

The plan would spend \$320,000 to replace cast iron sanitary piping with epoxy-coated cast iron and replace plumbing fixtures, partitions, flooring in restrooms on 3 floors of the building. This component of the project has previously been completed on 2 floors and in the women's restroom on the 1st floor.

Cabling Maintenance

The plan would spend the remaining \$26,000 to address abandoned low-voltage cabling while the ceiling grid is being replaced.

RF:kp



MARK BRNOVICH
ATTORNEY GENERAL

OFFICE OF THE ATTORNEY GENERAL
STATE OF ARIZONA



November 23, 2021

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

RE: Arizona Attorney General FY22 Capital Project for the Joint Committee on Capital Review

Dear Senator Gowan,

The FY 2022 Capital Outlay Bill (Laws 2021, First Regular Session, Chapter 406) appropriated \$4,000,000 from the Collection Enforcement Revolving Fund to the Arizona Attorney General's Office (AGO) to address deferred maintenance issues at the 15 S 15th Avenue office building. The appropriation requires the AGO to submit the scope, purpose, and estimated costs to the Joint Committee on Capital Review (JCCR) pursuant to Section 41-1252, Arizona Revised Statutes.

Originally built in 1983, the 15 S 15th Ave office building has amassed over \$18.0 million in deferred maintenance liability according to a condition assessment conducted by the Arizona Department of Administration (ADOA). There have been numerous plumbing and HVAC failures that have required emergency reactive repairs and, in some instances, Risk Management insurance claims to address some of the damage. Proactive renovations have been completed over the last two years on a smaller scale as funds were available.

This \$4,000,000 appropriation will support a larger scale continuation of these efforts to address the following deferred maintenance projects. The proposed scope of work, which was developed in consultation with ADOA, includes:

- Replacement of the Ceiling Grids and Lighting (Replace with LED)
- Replacement of Plumbing Fixtures
- Replacements of Water and Wastewater Piping
- Replacements of HVAC Water Source Heat Pumps

This project represents a necessary investment to maintain a safe work environment for AGO staff and mission critical services. The AGO requests JCCR's favorable review of the FY 2022 Capital Outlay Appropriation of \$4,000,000.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. Kredit', written in a cursive style.

Joshua Kredit
Assistant Chief Deputy

cc: Richard Stavneak, Director, Joint Committee on Capital Review
Joseph Kanefield, Chief Deputy and Chief of Staff, Office of the Arizona Attorney General
Leslie Welch, Chief Operating Officer, Office of the Arizona Attorney General
Nola Barnes, Assistant Director, Arizona Department of Administration



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DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Alexis Pagel, Fiscal Analyst

SUBJECT: Department of Emergency and Military Affairs - Review of Expenditures for Land Purchases

Request

Pursuant to A.R.S. § 41-1252, the Arizona Department of Emergency and Military Affairs (DEMA) has requested that the Committee review its expenditure plan of \$2,485,000 from the Camp Navajo Fund for land purchases. This amount includes \$1,975,000 for the purchase of land near the Silverbell Army National Guard Heliport and \$510,000 for the purchase of land near the Picacho Stagefield Army National Guard Heliport.

Committee Options

The Committee has at least the following 2 options:

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

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

- A. Upon final completion of both purchases, DEMA shall notify the Committee of the sales price, terms, and conditions of both transactions.

(Continued)

Key Points

- 1) DEMA would expend \$2.5 million for 2 land parcels at the Silverbell and Picacho Stagefield Army National Guard Heliports.
- 2) Costs are \$4,974 per acre at the Silverbell Heliport and \$1,244 per acre at the Picacho Stagefield Heliport.
- 3) The purchases would provide encroachment buffers, space for future expansions, and help meet future aviation weapons requirements.

Analysis

The Camp Navajo Fund was created by A.R.S. § 26-152 to fund the operational and capital costs associated with the Camp Navajo Army National Guard regional training site and storage facility located in Bellemont. The fund receives revenue from the federal government for use of Camp Navajo (including munitions storage). After all the operational and capital costs of Camp Navajo are funded, DEMA may use remaining monies in the fund to pay for costs associated with any Arizona National Guard facility.

DEMA proposes to expend a total of \$2.5 million from the Camp Navajo Fund for 2 separate land purchases:

- \$2.0 million to purchase 397.1 acres of Arizona State Trust Land surrounding the Silverbell Army National Guard Heliport at \$4,974 per acre. The purchase would provide the Silverbell facility the required land to meet training requirements for the U.S. Army's future aviation weapon systems, including the Army's Future Vertical Lift mission.
- \$510,000 to purchase 410 acres of Arizona State Trust Land surrounding the Picacho Stagefield Army National Guard Heliport at \$1,244 per acre. Purchase of the land at Picacho Stagefield would maintain an encroachment buffer to the north and south of the facility and allow for further expansion in the future, including allowing space for additional pilots/trainees.

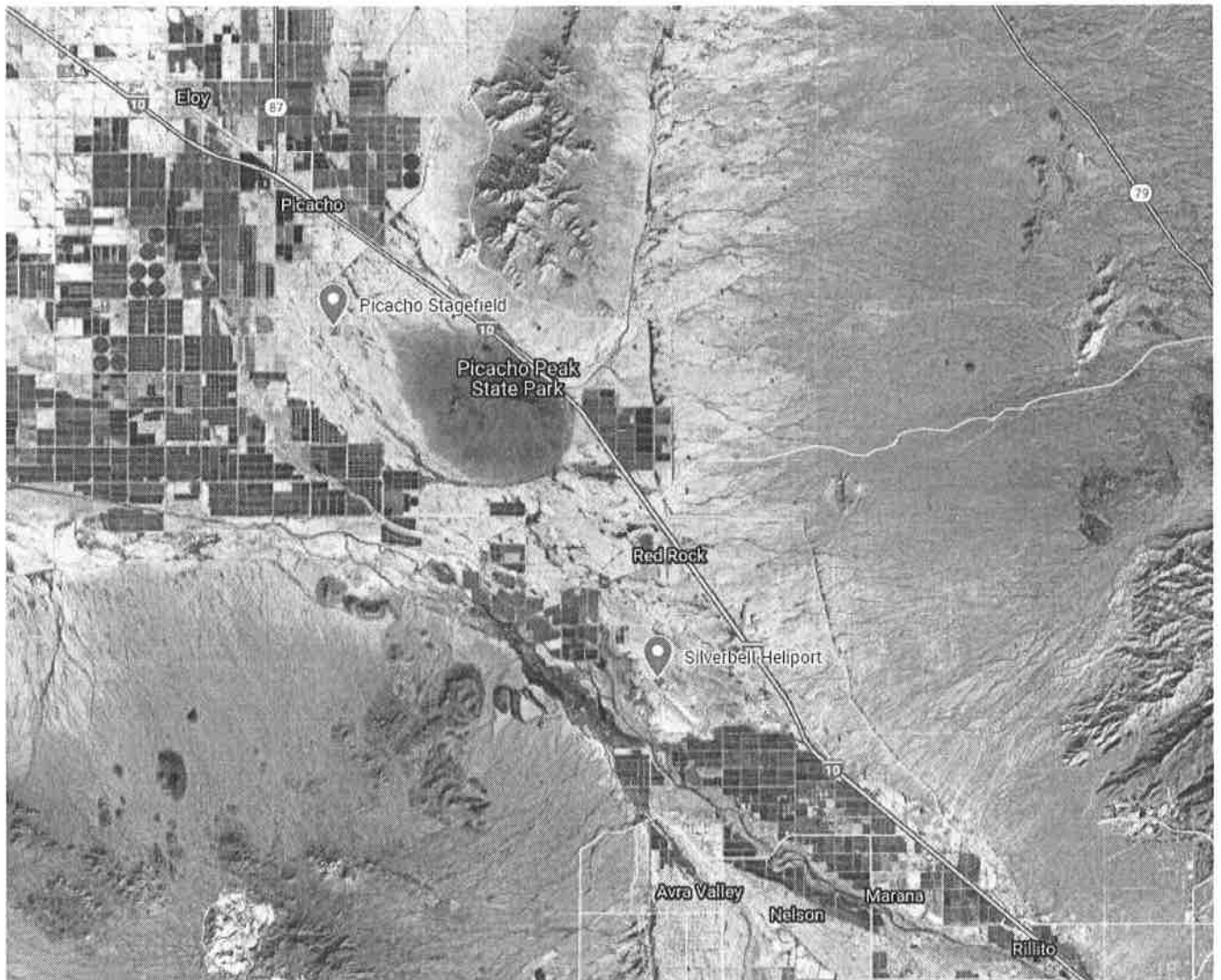
(See Attachment A for a map of the property locations).

The above listed costs are only estimated purchases prices provided by DEMA and may be subject to change. The Arizona-New Mexico Enabling Act and the Arizona Constitution authorize the state to sell trust land to the "highest and best bidder" at advertised public auction and that state trust land offered for sale must be appraised and sold for not less than "true value". DEMA indicates that the State Land Department plans to auction the relevant parcels in April 2022, at which time DEMA would place a bid for the land parcels.

Once purchased, these parcels will become property of the state (outside of the land trust) and will be managed by DEMA. DEMA believes there will be no future state costs associated with owning the parcels, as the U.S. Army would fully fund any expanded aviation activities at the facilities.

AP:kp

Attachment A





Douglas A. Ducey
GOVERNOR

STATE OF ARIZONA
DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

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



Major General Kerry L. Muchlenbeck
THE ADJUTANT GENERAL

November 23, 2021

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 W. Washington Street
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice-Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 W. Washington Street
Phoenix, Arizona 85007

SUBJECT: Acquisition of State Trust Land to support Arizona Army National Guard aviation at Silverbell Army National Guard Heliport and U.S. Army's Future Vertical Lift

Dear Chairman Gowan, Vice-Chairman Cobb, and Committee Members:

The Arizona Department of Emergency and Military Affairs (DEMA) respectfully requests its placement on the December 2021 Joint Committee on Capital Review (JCCR) meeting agenda for review of the expenditure of monies for the acquisition of land pursuant to A.R.S. § 41-1252(A)(4).

Arizona has been at the forefront of military aviation since the dawn of flight. In the early 1980s, the U.S. Army was beginning its transition from Vietnam-era helicopters such as the UH-1 Huey and AH-1 Cobra to the Army helicopters we know today – the UH-60 Blackhawk and AH-64 Apache. In 1983, the U.S. Army needed options to meet the training and operational needs for this transition and Arizona stepped forward.

Arizona Laws 1983 Chapter 19 created the Arizona Army National Guard Aviation Training Site adjacent to Pinal Airpark known as Silverbell Army National Guard Heliport (Silverbell). This law enabled the exchange of state-owned land with State Trust Land (a tool no longer available) and funded the state match portion for the construction of a Readiness Center (armory) at the new site. The U.S. Army committed to a long-term training mission with the state and constructed the Western Army Aviation Training Site (WAATS) there at Silverbell. The WAATS is an accredited pilot schoolhouse affiliated with the U.S. Army Aviation Center of Excellence at Fort Rucker, Alabama and under the U.S. Army Training and Doctrine Command.

Construction finished in 1986, and over the past 35 years Silverbell Army National Guard Heliport and the WAATS have met the aviation needs for the state on the home front and the nation during the warfight all the while supporting the training requirements for U.S. Army helicopter pilots in the Active, Reserve, and National Guard components. In addition to supporting our state and our national defense, Silverbell Army National Guard Heliport is also an economic driver in northern Pima and southern Pinal counties with a local economic impact of \$147.4 million and supporting 816 jobs according to the most recent *Economic Impact of Arizona's Principal Military Operations* report.

Today, Army Aviation is at the precipice of another fundamental doctrinal and technological revolution on how it will employ future aerial assets to defend the nation. These future assets will encompass platforms that we have never seen before, such as Next Generation Helicopters as part of the Army's Future Vertical Lift program, Unmanned Aerial Systems, and Air Launched Effects that can be deployed autonomously within Large Scale Combat Operations supporting Multi-Domain Operations. Those Next Generation Helicopters, such as the Future Long-Range Assault Aircraft that will replace the UH-60 Blackhawk and Future Attack and Reconnaissance Aircraft that is intended to replace the AH-64 Apache, will dramatically change how Army Aviation supports the warfight due to their increased speed and range. In order to facilitate this transition, the Army must revamp its training concepts and restructure its resources to accommodate such capabilities. This is clearly stated in the Army Installations Strategy dated December 2020, "Army modernization requires that installations provide the facilities, systems, and connectivity to support the Army on its path toward full MDO readiness by 2035."

The State of Arizona and Arizona Army National Guard are uniquely positioned to again demonstrate visionary leadership in support of our state and national defense by taking advantage of the growth opportunities within this new era. Arizona already has vast military airspace, multiple gunnery ranges, excellent weather, and key relationships with private and public entities. Arizona also has its existing investment in Silverbell Army National Guard Heliport which is a gateway to this expansive training environment and the WAATS which has trained Army pilots in the AH-64 Apache and UH-60 Blackhawk. Leveraging these advantages to meet the U.S. Army's aviation needs for uninhibited and realistic aviation training environments can create an epicenter of investment and economic opportunity in Arizona as the Army's Next Generation Aviation Training Site. The foundation of this endeavor, however, lies in the expansion of Silverbell Army National Guard Heliport and Picacho Stagefield through the acquisition of State Trust Land immediately surrounding these two installations.

Additional acreage for these installations is crucial to meeting the needs of the Army's Future Vertical Lift program and will allow the incorporation of Public-Private Partnerships to enable construction of advanced training facilities. Facility development on Silverbell Army National Guard Heliport over the past 35 years has capped any future growth potential for the heliport. Additionally, aviation training at Silverbell can only be increased by creating more capacity at Picacho Stagefield to handle the surge in aircraft operations and training. Working with the State Land Department, DEMA has identified 397.1 acres surrounding Silverbell Army National Guard Heliport that meets the need to expand and protect the Heliport, and 410 acres surrounding Picacho Stagefield. The land surrounding the heliport has an estimated valuation of \$4,974 per acre, for an estimated sale price of \$1,975,000. The land surrounding the Stagefield has an estimated valuation of \$1,244 per acre, for an estimated sale price of \$510,000. The total cost of this project is \$2,485,000 and will be funded from the Camp Navajo Fund in accordance with the requirements prescribed by the Arizona Army National Guard's license for Camp Navajo from the U.S. Army and state statute. There will be no impact to the State General Fund. There is no federal funding available for this project as the U.S. Department of the Army and National Guard Bureau do not fund land acquisitions.

The next several decades will be defined by Great-Power Competition between China, Russia, and the United States. This will drive an emphasis on Large Scale Combat Operations within Multiple Domains, shifting the focus and execution of current military training. The Department of Defense has identified a lack of training facilities, ranges, airspace, and acreage for the emerging advanced military assets. Failure to develop new training facilities risks our national security and weakens Arizona's chance to capitalize on the economic benefits of this new era. The acquisition of land at Silverbell Army Heliport and Picacho Stagefield is the foundation of the Arizona Army National Guard's Next Generation Aviation Training site; setting the conditions for Arizona to emerge as the premier training location for the aerospace industry.

If you have any questions regarding this project, please contact Travis Schulte, DEMA Legislative Liaison, at 602.267.2732 or travis.schulte@azdema.gov.

Sincerely,



KERRY L. MUEHLENBECK
Major General, AZ ANG
The Adjutant General

cc: Richard Stavneak, Staff Director JLBC
Alexis Pagel, DEMA Budget Analyst, JLBC
Matt Gress, Director, OSPB
Kyle Jensen, DEMA Budget Analyst, OSPB
Megan Fitzgerald, Military Policy Advisor to the Governor

Arizona Department of Emergency and Military Affairs
Arizona Army National Guard
State Trust Land Acquisition at Silverbell Army National Guard Heliport

Project Summary

Scope:

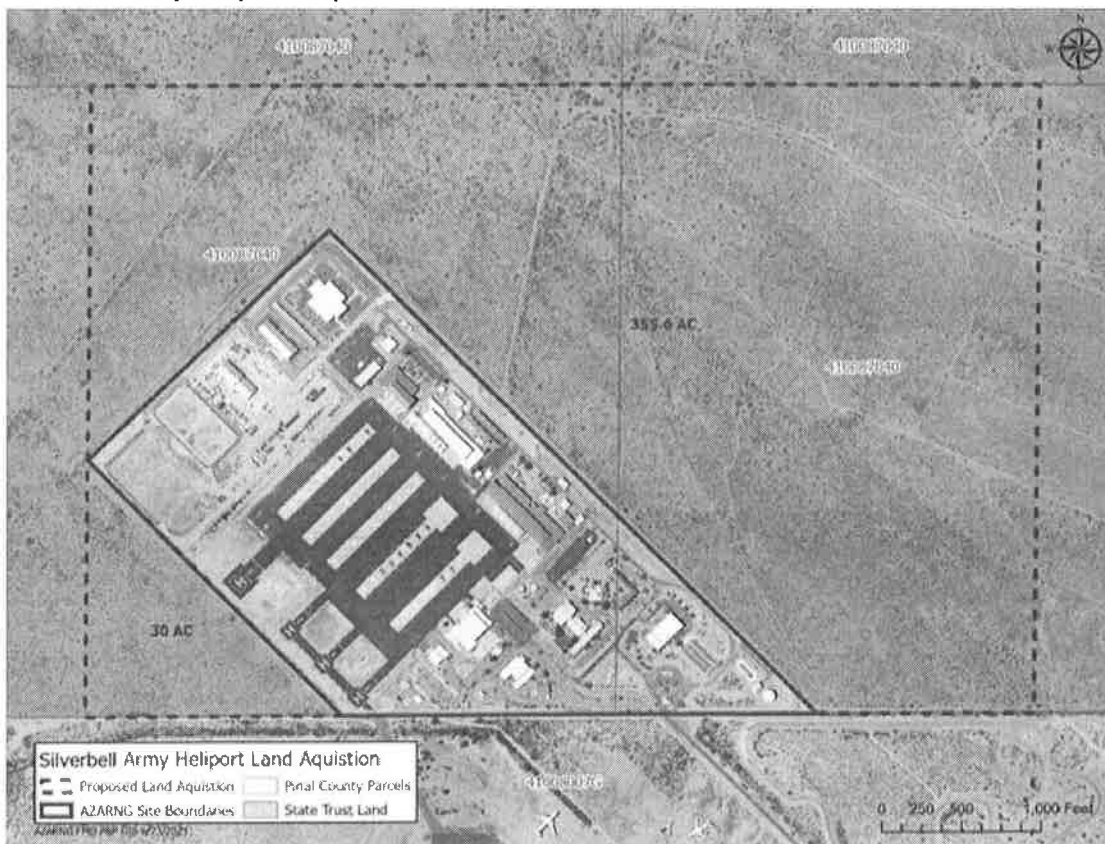
Land acquisition of:

- 397.1 acres surrounding Silverbell Army National Guard Heliport (partial parcel of 221.25 acres NW N2SW EX PAT 6931, TRS- 10S-10E-29) and (partial parcel of 175.85 acres - N2 N2S2 EX PAT 6931) and,
- 410 acres surrounding the heliport's Picacho Stagefield (#1 partial parcel of 180 acres S2N2 N2SW TRS-9S-8E-2) (#2 partial parcel of 103 acres NWNW S2N2 S2 TRS-9S-8E-11) (#3 partial parcel of 70 acres S2N2 S2 TRS-9S-SE-1) (#4 partial parcel of 57 acres TRS-9SSE-12)

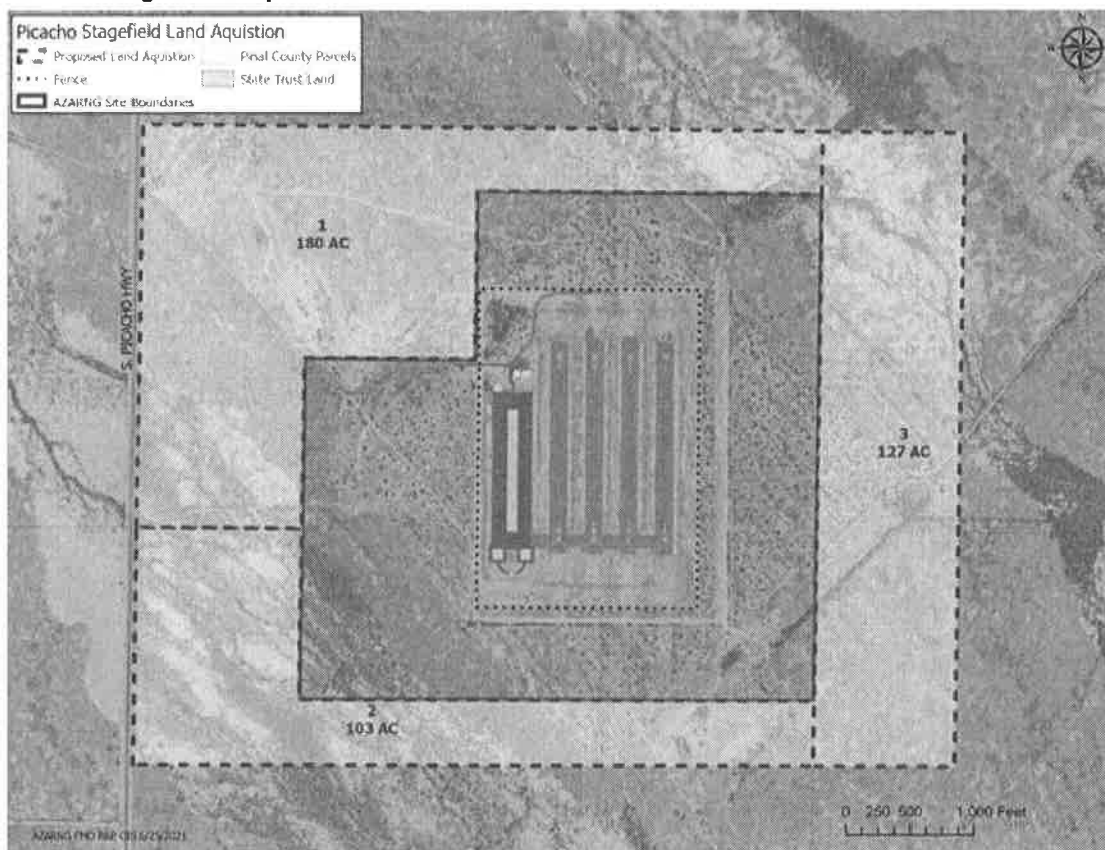
This proposal to purchase Arizona State Trust Land surrounding Silverbell Army National Guard Heliport and Picacho Stagefield will facilitate expansion of aviation training and operations to meet the needs of our U.S. Army (Active, National Guard, and Reserve), Joint Operations, Foreign Military Sales, and Public-Private Partners; as well as posture Southern Arizona for future aviation missions and economic growth.

Additionally, the purchase at Picacho Stagefield will secure the right-of-way from the Stagefield to South Picacho Highway, allowing for east/west facility expansion with encroachment buffer included to the north and south of the Stagefield.

Silverbell Army Heliport Acquisition



Picacho Stagefield Acquisition



Purpose:

This project is critical to the Arizona Army National Guard and to position Arizona as the future home for the U.S. Army's Next Generation Aviation Training Site. Facility development on Silverbell Army National Guard Heliport over the past 35 years since it was founded has capped future growth potential for the heliport, which limits the ability to attract a future aviation missions as those missions require additional acreage for support facilities and ramp space.

The Western Army Aviation Training Site (WAATS) at Silverbell was originally developed to train pilots for the OH-58 Kiowa and AH-64 Apache helicopters, until that mission was divested from the National Guard in 2013. The current mission for the WAATS is to train pilots in a legacy (i.e., no longer in production) UH-60 A/L model Blackhawk helicopter. This training mission will experience a demand decrease from 25% to 75% from 2024-2028, and to-date no follow-on training mission has been identified. The lack of a follow-on mission puts the WAATS, as well as Silverbell as a whole, at risk of being closed which will have a significant impact to the Arizona Army National Guard as well as the economy in the surrounding area.

In order to position Silverbell and WAATS to best compete for a follow-on mission, additional land is required to meet the training requirements for the U.S. Army's future aviation weapon systems, known as the Future Long-Range Assault Aircraft that is intended to replace the UH-60 Blackhawk and the

Future Attack and Reconnaissance Aircraft that will replace the AH-64 Apache. The Future Long-Range Assault Aircraft to replace the UH-60 Blackhawk is expected to begin training and fielding in Federal FY 2027-2028, which coupled with the need to develop training doctrine in the proceeding years will align the WAATS' current UH-60 A/L mission end-date and position Silverbell and Arizona at the center of military and civilian investment and economic opportunity as the Army's Next Generation Aviation Training Site.

Background:

In the early 1980s, the U.S. Army was beginning its transition from Vietnam-era helicopters such as the UH-1 Huey and AH-1 Cobra to the Army helicopters we know today – the UH-60 Blackhawk and AH-64 Apache. In 1983, the U.S. Army needed options to meet the training and operational needs for this transition and Arizona stepped forward.

Arizona Laws 1983 Chapter 19 created the Arizona Army National Guard Aviation Training Site adjacent to Pinal Airpark known as Silverbell Army National Guard Heliport (Silverbell). This law enabled the exchange of state-owned land with State Trust Land (a tool no longer available) and funded the state match portion for the construction of a Readiness Center (armory) at the new site. The U.S. Army committed to a long-term training mission with the state and constructed the Western Army Aviation Training Site (WAATS) there at Silverbell. The WAATS is an accredited pilot schoolhouse affiliated with the U.S. Army Aviation Center of Excellence at Fort Rucker, Alabama and under the U.S. Army Training and Doctrine Command.

Construction finished in 1986, and over the past 35 years Silverbell Army National Guard Heliport and WAATS have met the aviation needs for the state on the home front and the nation during the warfight all the while supporting the training requirements of U.S. Army helicopter pilots for the Active, Reserve, and National Guard components. In addition to supporting our state and our national defense, Silverbell Army National Guard Heliport is also an economic driver in northern Pima and southern Pinal counties with a local economic impact of \$147.4 million and supporting 816 jobs according to the most recent *Economic Impact of Arizona's Principal Military Operations* report.

Today, Army Aviation is at the precipice of another fundamental doctrinal and technological revolution on how it will employ future aerial assets to defend the nation. These future assets will encompass new platforms, such as Next Generation Helicopters as part of the Army's Future Vertical Lift program, Unmanned Aerial Systems, and Air Launched Effects that can be deployed autonomously within Large Scale Combat Operations (LSCO) supporting Multi-Domain Operations (MDO). Those Next Generation Helicopters, such as the Future Long-Range Assault Aircraft that is intended to replace the UH-60 Blackhawk and Future Assault and Reconnaissance Aircraft that will replace the AH-64 Apache, will dramatically change how Army Aviation supports the warfight due to their increased speed and range. To facilitate this transition, the Army must revamp its training concepts and restructure its resources to accommodate such capabilities. This is clearly stated in the Army Installations Strategy dated December 2020, "Army modernization requires that installations provide the facilities, systems, and connectivity to support the Army on its path toward full MDO readiness by 2035."

The State of Arizona and Arizona Army National Guard are uniquely poised to again demonstrate visionary leadership in support of our state and national defense by taking advantage of the growth opportunities within this new era. Arizona already has vast military airspace, multiple gunnery ranges, excellent weather, and key relationships with private and public entities. Arizona also has its existing investment in Silverbell Army National Guard Heliport which is a gateway to this expansive training environment and the WAATS which has trained Army pilots in the AH-64 Apache and UH-60 Blackhawk. Leveraging these advantages to meet the U.S. Army's aviation needs for uninhibited and realistic aviation training environments can create an epicenter of military and civilian investment and economic opportunity in Arizona as the Army's Next Generation Aviation Training Site. The foundation of this endeavor, however, lies in the expansion of Silverbell Army National Guard Heliport and Picacho Stagefield through the acquisition of State Trust Land immediately surrounding these two installations.

Additional acreage for these installations is crucial to meeting the needs of the Army's Future Vertical Lift program and will allow the incorporation of Public-Private Partnerships to enable construction of advanced training facilities. Facility development on Silverbell Army National Guard Heliport over the past 35 years has capped any future growth potential for the heliport. Additionally, aviation training at Silverbell can only be increased by creating more capacity at Picacho Stagefield to handle the surge in aircraft operations and training.

The next several decades will be defined by Great-Power Competition between China, Russia, and the United States. This will drive an emphasis on Large Scale Combat Operations within Multiple Domains, shifting the focus and execution of current military training. The Department of Defense has identified a lack of training facilities, ranges, airspace, and acreage for the emerging advanced military assets. Failure to develop new training facilities risks our national security and weakens Arizona's chance to capitalize on the economic benefits of this new era. The acquisition of land at Silverbell Army Heliport and Picacho Stagefield is the foundation of the Arizona Army National Guard's Next Generation Aviation Training site; setting the conditions for Arizona to emerge as the premier training location for the aerospace industry.

Project Cost:

Silverbell Army NG Heliport land purchase	\$1,975,000
<u>Picacho Stagefield land purchase</u>	<u>\$ 510,000</u>
Total Project Cost	\$2,485,000

Source: Camp Navajo Fund	\$2,485,000
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DEMA will fund the purchase of the land through the Camp Navajo Fund, meaning there will be no impact to the State General Fund. There is no federal funding available for this project as the U.S. Department of the Army and National Guard Bureau do not fund land acquisitions. Monies within the Camp Navajo fund are generated through the state operation of the federal ordnance depot infrastructure at Camp Navajo that was BRAC'd by the U.S. Army in 1988. Per the license agreement the Arizona National Guard has with the Department of the Army, DEMA receives revenue from storage of certain Department of Defense-related commodities. Per the license, that revenue is

required to be used to support the installation of Camp Navajo as well as other training requirements of the Arizona National Guard once the operational, maintenance, support and capital improvement requirements at Camp Navajo are met. Per the license and multiple DoD and federal regulations, these funds cannot be used to offset any National Guard state match requirement with the federal government since they are derived from the federal government through an activity on federal land.

The state storage mission at Camp Navajo does not receive any state funding for the storage activity or sustainment of the depot infrastructure. As a result, DEMA must carefully manage the revenues generated from the federal government to ensure there is funding available to support the long-term recapitalization needs of the depot to meet our federal contracts as well as the day-to-day operations and payroll for the state employees at the depot. In the past, our primary federal partners could take as long as six months to pay for the storage of their commodities. Due to that delay, DEMA needed to have a reserve of at least six months of operating expenses to avoid the potential for furlough or layoff of our state employees as there is no other funding source for the storage activity beyond customer payments. Over the recent few years, our federal customers have improved the timeliness of their payment to Camp Navajo for their storage obligations, even during periods of federal budget uncertainty and government shutdown. As a result of this improvement and this once-in-a-generation opportunity presented by the U.S. Army's need to find installations postured to support the training requirements for the Next Generation Helicopter and Future Vertical Lift program, DEMA is comfortable with this one-time reduction of the operational reserve account to use these monies to fund this land purchase.

Beyond the opportunities that an expansion of Silverbell Army National Guard Heliport can bring to the Arizona National Guard is the economic opportunities that the U.S. Army's Next Generation Helicopter program can bring to Arizona. It is in the best interest of the state and the communities from which we serve to pursue this land acquisition.

Expenditure Plan by Category:

<u>Category</u>	<u>Cost</u>
Land Acquisition	\$2,485,000
<i>Silverbell Army Heliport:</i>	<i>\$1,975,000 (\$4,974/acre)</i>
<i>Pichacho Stagefield:</i>	<i>\$510,000 (\$1,244/acre)</i>
<u>Due Diligence:</u>	<u>\$1,200 (Title Services, etc.)</u>
Total:	\$2,486,200

Operations & Maintenance Sustainment:

None. Future development on the acquired land will be at federal or non-state expense. The U.S. Army fully funds aviation activities at 100% federal cost share.

Timeline:

State Land Department finalizes land availability in December 2021, opens bid for the land in April 2022
DEMA bids on the land in April 2022

Silverbell Army National Guard Heliport Projected Opportunities:

Private Public Partnership (P3):

- Foreign Military Sales Training
- Future Vertical Lift Training
- Collective-Level Aviation Training

Schoolhouse Opportunities:

- AH-64D/E Apache training
- UAS/ALE Operator Training
- Foreign Military Sales Training
- Dunker and SERE training
- Enlisted MOS training
- Augmented Reality Aviation Training Center

Other Aviation Opportunities:

- Foreign Military Sales Opportunities (Peace Vanguard model)
- Partnership with U.S. Army Advanced Weapons Tactics Instructor course. (US Army's "Top Gun")
- New aviation Brigade Headquarters and Operations center capable of supporting the Arizona's COOP/COG action plan
- New construction aviation maintenance facilities compatible with Future Vertical Lift aircraft (Future Long-Range Assault Aircraft / Future Attack Reconnaissance Aircraft)

Picacho Stagefield Projected Opportunities:

- Lane expansion to increase aircraft training and throughput
- Lane extension (2000') to support Future Vertical Lift
- Expansion of Air Traffic Control tower and stationing of ATC unit
- Certified Tower Operator Training increase
- Stationing of Aircraft Rescue Firefighting unit
- Construction of new Fire House
- Collective Level Aviation Training support
- UAS/ALE Operator Training support
- Foreign Military Sales Support (Peace Vanguard model)
- Squad Training Exercise and Pre-Mobilization training support



STATE OF ARIZONA

Joint Committee on Capital Review

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RICK GRAY
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REBECCA RIOS

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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LORENZO SIERRA
BEN TOMA

DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Ryan Fleischman, Fiscal Analyst

SUBJECT: Department of Juvenile Corrections - Review of Door Replacement Capital Project

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Department of Juvenile Corrections (DJC) requests review of its plan to spend \$2,500,000 to replace doors and locks in 4 units at the Adobe Mountain School facility.

Committee Options

The Committee has at least the following 2 options:

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

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

- A. Within 10 days of awarding the contract for the project, DJC shall submit a report to the Committee indicating the final project scope and budget.

Key Points

- 1) The FY 2022 Capital Outlay bill appropriated \$2.5 million to DJC to replace doors and locks in 4 units at the Adobe Mountain School facility.
- 2) The plan includes \$2.2 million for the fabrication and installation of the doors, \$200,000 for project management and \$100,000 for contingency.
- 3) DJC estimates the project will take about 1.5 years to complete.

(Continued)

Analysis

The FY 2022 Capital Outlay bill appropriated \$2.5 million from the DJC State Charitable, Penal, and Reformatory Institutions Fund to DJC to replace doors in 4 units at the Adobe Mountain School facility.

DJC will replace a total of 112 cell and shower doors, at an estimated cost of about \$19,600 per door. *Table 1* below outlines DJC's proposed expenditure plan which includes allocations for project supervision and ancillary work and a contingency.

Table 1	
Door Replacement Proposed Expenditures	
<u>Item Description</u>	<u>Estimated Cost</u>
Cell Door Replacement	\$2,200,000
Project Supervision and Ancillary Work	200,000
Contingency	100,000
Expenditure Plan Total	\$2,500,000

DJC estimates the project will take 1.5 years to complete. At the time of submission, a vendor had not yet been awarded the contract for this project. With recent cost increases, DJC is uncertain whether the appropriation will be sufficient to replace all 112 doors. The Committee may also require DJC to submit a report indicating the final project scope and budget within 10 days of awarding the contract for the project.

Cell Doors and Locking Mechanism

DJC reports that the locks on cell unit doors are located at a height that makes officers vulnerable and undercutting at the bottoms of doors allows for materials to be passed through cells. The agency also reports the cell door hinges are weakening and locking mechanisms are past their lifetime usefulness. The plan would remove 96 existing cell doors and frames. Frames would be replaced with new security frames that have electromechanical detention locks installed lower than current locks. The plan would install 96 new in-swing metal security doors fastened by new steel hinges. The outside of doors will be furnished with thick clear windows and handle pulls.

Shower Doors

The agency reports that the current metal shower doors and frames are deteriorating from rust. The plan would remove 16 existing shower doors and frames. Frames would be replaced with galvanized security frames and doors would be replaced with galvanized out-swing metal doors fastened by new steel hinges.

RF:lm



ARIZONA DEPARTMENT OF JUVENILE CORRECTIONS

DOUGLAS A. DUCEY
Governor

JEFF HOOD
Director

November 18, 2021

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



Dear Senator Gowan and Representative Cobb:

The FY 2022 Capital Outlay Bill (Laws 2021, First Regular Session, Chapter 406) appropriated \$2,500,000 from the State Land Fund to the Arizona Department of Juvenile Corrections (ADJC) to replace doors in 4 units at the Adobe Mountain School facility. The appropriation requires ADJC to submit the scope, purpose, and estimated costs to the Joint Committee on Capital Review (JCCR) pursuant to Section 41-1252, Arizona Revised Statutes.

Adobe Mountain School is a secure care facility for youth with felony adjudications and/or significant mental health issues who are committed by the Juvenile Court. The \$2,500,000 appropriation will be used to upgrade deteriorating and rusted doors that have degraded to a point of potential failure in four (4) housing units. The proposed scope of work, which was developed in consultation with the Arizona Department of Administration (ADOA), includes removal and replacement of cell and shower doors, frames, locks and hardware. Additionally, ADOA will manage this project. Costs are estimated to be approximately \$625,000 per unit with contingency.

This project represents a necessary investment in security infrastructure to maintain a safe environment for both ADJC staff and the youth who are in the custody of the state. ADJC requests JCCR's favorable review of the FY 2022 Capital Outlay Appropriation of \$2,500,000.

Sincerely,

Jeff Hood
Director

cc: Mathew Gress, OSPB
Art Smith, ADJC
Kate Howard, ADJC
Ruben Duran, ADOA - GSD



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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1716 WEST ADAMS
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JUDY SCHWIEBERT
LORENZO SIERRA
BEN TOMA

DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Molly Murphy, Economist

SUBJECT: Arizona State Lottery Commission - Review of FY 2022 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests the Committee review its FY 2022 Building Renewal Allocation Plan. The FY 2022 Capital Outlay Bill appropriated \$152,800 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2022 for capital improvement projects.

Committee Options

The Committee has at least the following 2 options:

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

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

A. The commission shall report any significant change in the building renewal spending plan to the Joint Committee on Capital Review Chairman and the JLBC Staff.

Key Points

- 1) The Arizona State Lottery Commission is requesting review of its \$152,800 FY 2022 Building Renewal appropriation.
- 2) The Lottery will use the funds to replace 15-year-old carpet at its Phoenix office

(Continued)

Analysis

The commission operates out of 4 facilities; a 38,500 square foot state-owned building in Phoenix, a 3,398 square foot leased building in Tucson, a 500 square foot location at Phoenix Sky Harbor Airport, and a new 440 square foot space in Kingman located in a Walmart store. The Phoenix facility includes administrative offices, tickets sales, and redemption centers. The other 3 locations offer ticket sales and redemption services. This request pertains only to the main building in Phoenix.

The commission plans to spend \$160,800 to replace the carpet in the Phoenix office. Besides using its building renewal appropriation, the commission will allocate \$8,000 of internal agency funds to the project.

The carpeting in the office was last replaced in 2006. The life expectancy for commercial carpet is about 10 years on the high end, with an average lifespan of 7 years.

MM:lm



Douglas A. Ducey
Governor

Gregory R. Edgar
Executive Director

October 26, 2021

The Honorable David M. Gowan, Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 W. Washington Street
Phoenix, AZ 85007

The Honorable Regina E. Cobb, Vice-Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 W. Washington Street
Phoenix, AZ 85007

RE: JCCR Agenda Request

Dear Representative Gowan:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for the December 2021 meeting to review the Lottery FY22 Building Renewal Allocation Plan.

A.R.S. §41-1252 requires Committee review of the expenditure plans for building renewal monies.

Information for this item is attached.

Digitally signed by Gregory R.
Edgar
Date: 2021.10.28 09:06:50
-07'00'

Gregory R. Edgar
Executive Director
Arizona Lottery

Attachment

cc: Art Harding, Deputy Director of Legislative Affairs aharding@az.gov
Richard Stavneak, Director, JLBC rstavneak@azleg.gov
Molly Murphy, Lottery Analyst, JLBC mmurphy@azleg.gov
Matthew Gress, Director, OSPB mgress@az.gov
Zachary Milne, Analyst, OSPB zmilne@az.gov

Arizona Lottery – Building Renewal Funds FY22 Allocation Plan

Background

The Arizona Lottery operates out of four facilities – a 38,500 sq. ft. building constructed in 1987, owned by the State of Arizona, located in Phoenix, a 3,200 sq. ft. building leased in Tucson, a 500 sq. ft. leased airport location, and most recently a 440 sq. ft. leased Kingman location housed within a local Walmart. The Phoenix facility includes administrative offices as well as a ticket sales and redemption section. The Tucson, airport, and Kingman offices provide ticket sales and redemption services and the Tucson office also includes office space for southern Arizona staff. This plan provides information on proposed maintenance expenses for the Phoenix facility.

Allocation

As part of the FY22 approved budget, the Lottery received a capital outlay appropriation of \$152,800 from the Lottery Fund for building renewal purposes.

FY22 Capital Outlay/Building Renewal Allocation:	\$152,800
Proposed FY22 Expenditures –	
Carpet Replacement	160,800
Operating Budget Subsidy	<u>(8,000)</u>
TOTAL:	\$152,800

Cost estimates were either supplied by state-contracted vendors or provided by ADOA. All projects are funded from the Lottery Fund - no General Funds monies are impacted.

1. Carpet Replacement - \$160,800

The carpeting in the Lottery Phoenix office was last replaced in 2006 and is showing signs of wear. Although the Lottery conducts routine cleaning to prolong the life of the existing carpet, there are areas that have become frayed and permanently stained over the years. A recent reconfiguration of office cubicle space also revealed further areas of damage. The life expectancy for commercial carpet is about 10 years on the high end, with an average lifespan of 7 years. The Lottery's carpeting is well past that life expectancy and should be replaced.

Proposed Solution

Remove and replace the existing building carpeting for the Lottery Phoenix two-story office building, totaling approximately 16,700 square feet. Replacement would be 24 x 24 carpet squares, similar to the current configuration. Replacement includes removal/disposal of existing carpet as well as removal, return, and reinstallation of office furniture and furnishings.

Carpet replacement will exceed the FY22 building renewal allocation by \$8,000. The difference will be funded from the Lottery's operating appropriation.

Principal Benefits

The principal benefit would be to provide a healthier workplace environment for employees. Even with periodic cleaning, carpeting builds up dust and dirt over time which are released in the air. Replacement will also reduce the potential trip hazard created by frayed areas.



STATE OF ARIZONA

Joint Committee on Capital Review

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BEN TOMA

DATE: December 7, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Lydia Chew, Fiscal Analyst

SUBJECT: Northern Arizona University - Review of Capital Projects

Request

A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund (CIF). These monies are from the \$1 billion capital investment program enacted in 2017. Northern Arizona University (NAU) requests Committee review of its plan to pay \$4,750,600 in CIF cash for the renovations of 3 buildings.

Committee Options

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service or any operations and maintenance costs when the projects are complete.
- B. On or before October 15 of each year until completion of the projects, NAU shall report to the JLBC Staff on the status and expenditures of the projects. The report shall include the project expenditures to date by building, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the projects.

(Continued)

Key Points

- 1) NAU plans to complete renovation of 3 buildings in the North Science Corridor on the Flagstaff Campus.
- 2) The projects would be paid for with \$4.8 million in cash from the university's FY 2022 CIF appropriation.
- 3) The projects consist of:
 - \$2.3 million to replace airflow control valves in fume hoods (Science Lab)
 - \$1.6 million to install fire sprinklers, upgrade existing alarms, and remove asbestos (Biological Sciences Building)
 - \$900,000 to install fire sprinklers and remove asbestos (Physical Sciences Building)

Analysis

NAU intends to complete renovations of 3 buildings in the North Science Corridor. The projects are estimated to cost a total of \$4.8 million. For all 3 projects, NAU expects to begin and complete construction in summer 2022.

In the Science Lab, the airflow control valves in fume hoods will be replaced. The current valves are no longer serviceable and are not managed by NAU's building automation system. NAU estimates the project cost at \$2.3 million.

Renovation of the Biological Sciences building includes the installation of fire sprinklers on all floors, upgrades to existing alarms, and asbestos mitigation. NAU estimates the project cost at \$1.6 million.

The Physical Sciences building will be renovated to install fire sprinklers on all floors and remove asbestos. The building is currently non-compliant with state fire codes and adding fire sprinklers would bring the building into compliance. NAU estimates the project cost at \$900,000.

Financing

NAU plans to pay cash for these projects using its FY 2022 CIF appropriation.

University Capital Infrastructure Funds (2017 Bonding Package)

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriates \$27.0 million to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2022 appropriations are allocated to each university as follows:

- ASU: \$12,533,500
- NAU: \$4,750,600
- UA: \$11,087,900
- **Total: \$28,372,000**

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

(Continued)

Under the law, each university's General Fund appropriation is deposited into a newly-created Capital Infrastructure Fund (CIF). Each university must match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate. In this instance, there is no match requirement as NAU is not using its appropriation to issue debt.

Operations and Maintenance Costs

NAU estimates these projects will increase annual operations and maintenance costs by approximately \$3,000 for testing and inspection costs.

LC:kp

Northern Arizona University
Office of the Vice President University Finance and
Business Services
PO Box 4132, Flagstaff, AZ 86011
Tel 928-523-4240 Fax 928-523-0332
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November 19, 2021

The Honorable David Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Gowan:

Pursuant to Arizona Revised Statute §15-1671 Northern Arizona University submits this letter on the proposed use of University Capital Infrastructure monies. NAU is appreciative of the state's investment in Arizona's public universities' infrastructure through the ongoing allocation of these funds. In previous years, NAU has used Capital Infrastructure Funds (CIF) to renovate the Science Annex building 3rd and 4th floors followed by the 1st and 2nd floors. Those two projects were favorably reviewed by the Joint Committee on Capital Review (JCCR) with the most recent project for the 1st and 2nd floor renovation completed by NAU in August 2021. NAU is now requesting favorable review to use the FY 22 allocation of \$4.8M to fund renovations on three buildings on the Flagstaff Campus in the North Science Corridor. These projects will address important items in each building that will extend the life of our current science facilities and is consistent with the university's use of cash to fund projects where possible.

Thank you for your consideration. If you have any questions, please feel free to contact me at (928) 523-4240 or bjorn.flugstad@nau.edu.

Sincerely,

A handwritten signature in black ink that reads "Bjorn Flugstad". The signature is written in a cursive, flowing style.

Bjorn Flugstad
Vice President of Finance, Institutional Planning and Analysis
Chief Financial Officer

Attachment

cc: Richard Stavneak, Director, JLBC
Lydia Chew, JLBC Fiscal Analyst
Will Palmisano, OSPB, Budget Manager
John Arnold, ABOR, Executive Director
Lorenzo Martinez, ABOR, Vice President for Finance & Administration
Jose Luis Cruz Rivera, NAU, President
Christy Farley, NAU, Vice President of External Affairs & Partnerships

Physical Sciences Renovation

Project Scope

This deferred maintenance project will include among other renovations the installation of fire sprinklers in all floors of the Physical Sciences building. This installation work will require remediation of significant amounts of asbestos containing material.

Project Justification

Physical Sciences is red-tagged by the state fire marshal as non-compliant to current code due to a lack of 1-hour fire-rated separation for vertical openings (the stairwells). The addition of fire sprinklers would bring this building into compliance as there is not enough room to build fire-rated separation in the stairwells. This project helps address needed improvements for deferred maintenance, building renewal, and modernization at the North Science Corridor as noted in the CIP year 2 and 3 project listing. Additionally, it aids NAU's research and academic missions with creating safer spaces.

Estimated Project Cost:

\$900,000

Basis of Cost Estimate:

The estimated project cost is derived from NAU's historical costs as it relates to installing sprinkler systems, as well as historical costs for abatement of asbestos containing materials. The contractor's estimate will be received by January 2022 for firm pricing.

Cash vs Bonding:

This project is funded with cash, utilizing the State Capital Infrastructure funding.

Life of the project components:

This renovation is built to NAU's Design Guidelines and Technical Standards which prescribes longevity and durability of systems. A low cost design approach in areas that cannot be "seen" undermines the philosophy of building at NAU, and in the end, is usually much more costly in maintenance and in remedial corrective action.

Project Delivery

This project will utilize a JOC delivery method. Core construction is the selected contractor who will also conduct the design.

Renovation vs. new construction:

This project is a partial renovation of the building to reach FLS code compliance. The addition of sprinklers and asbestos mitigation is a cost effective solution to maintain the square footage on campus as opposed to building a new building of similar square footage.

Timeline

Construction can begin May 16, 2022 when classes end and space can be vacated. Completion date is Summer 2022.

Biological Sciences Renovation

Project Scope

This deferred maintenance project will include among other renovations the installation of fire sprinklers in all floors of the Biological Sciences building and upgrades to existing alarms. This installation work will require remediation of asbestos containing material.

Project Justification

While Biological Sciences does not have a red-tag, it does not have fire alarms or sprinklers due to the building age. Adding sprinklers provides a safer learning and working environment and is consistent with current facility standards. This project helps address needed improvements for deferred maintenance, building renewal, and modernization at the North Science Corridor as noted in the CIP year 2 and 3 project listing. Additionally, it aids NAU's research and academic missions with creating safer spaces.

Estimated Project Cost:

\$1,600,000

Basis of Cost Estimate:

The estimated project cost is derived from NAU's historical costs as it relates to installing sprinkler systems and alarms, as well as historical costs for abatement of asbestos containing materials. The contractor's estimate will be received by January 2022 for firm pricing.

Cash vs Bonding:

This project is funded with cash, utilizing the State Capital Infrastructure funding.

Life of the project components:

This renovation is built to NAU's Design Guidelines and Technical Standards which prescribes longevity and durability of systems. A low cost design approach in areas that cannot be "seen" undermines the philosophy of building at NAU, and in the end, is usually much more costly in maintenance and in remedial corrective action.

Project Delivery

This project will utilize a JOC delivery method. Core construction is the selected contractor who will also conduct the design.

Renovation vs. new construction:

This project is a partial renovation of the building to reach FLS code compliance. The addition of sprinklers and asbestos mitigation is a cost effective solution to maintain the square footage on campus as opposed to building a new building of similar square footage.

Timeline

Construction can begin May 16, 2022 when classes end and space can be vacated. Completion date is Summer 2022.

Science Lab Controls Replacement

Project Scope

This deferred maintenance project will replace the Tek Air control valves in every fume hood in the building. Additionally, the building's HVAC system will be rebalanced to ensure it is exhausting correctly.

Project Justification

The 2007 building needs a complete replacement of the Tek Air controls valves for the fume hoods as they are no longer serviceable and are not managed by NAU's building automation system. This project helps address needed improvements for deferred maintenance, building renewal, and modernization at the North Science Corridor.

Estimated Project Cost:

\$2,250,600

Basis of Cost Estimate:

The estimated project cost is derived from NAU's historical costs as it relates to installing fume hood valves. The contractor's estimate will be received by December 2022 for firm pricing.

Cash vs Bonding:

This project is funded with cash, utilizing the State Capital Infrastructure funding.

Life of the project components:

This renovation is built to NAU's Design Guidelines and Technical Standards which prescribes longevity and durability of systems. A low cost design approach in areas that cannot be "seen" undermines the philosophy of building at NAU, and in the end, is usually much more costly in maintenance and in remedial corrective action.

Project Delivery

This project will utilize a JOC delivery method. McCarthy is the selected contractor. The designer, GLHN, was procured through the ARQ process.

Renovation vs. new construction:

This project is a partial renovation of the building for deferred maintenance. This is a cost effective solution to maintain the square footage on campus as opposed to building a new building of similar square footage.

Timeline

Construction can begin May 16, 2022 when classes end and space can be vacated. Completion date is Summer 2022.



STATE OF ARIZONA

Joint Committee on Capital Review

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BEN TOMA

DATE: December 13, 2021

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Principal Fiscal Analyst

SUBJECT: Arizona State University - Review of Mill Avenue Parking Structure Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$42,000,000 in system revenue bond issuances for construction of a Mill Avenue parking structure. ASU will fund the debt service payments with parking fees and revenue associated with the structure.

Committee Options

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

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

Key Points

- 1) ASU will issue \$42.0 million of system revenue bonds for construction of a parking structure on Mill Avenue and Tenth Street.
- 2) The parking structure will support ASU campus activities and planned retail spaces, including the Omni Hotel and Conference Center.
- 3) Annual debt service payments of \$2.3 million will be funded by parking fees and other revenues associated with the structure, including a portion of Omni's annual ground lease payments to ASU.

Analysis

ASU intends to construct a 401,874 square foot parking structure on the corner of Mill Avenue and 10th Street. The structure will include approximately 1,200 parking spaces to support neighboring academic and retail facilities and will include infrastructure to support hybrid and electrical vehicles and future installation of solar panels on the roof. In addition, ASU plans to install infrastructure for a future thermal energy storage system beneath the parking structure. ASU reports that the system will integrate with other future utility projects to provide utility services to campus academic facilities and planned retail spaces.

At the December 2017 meeting, the Committee heard testimony on an agreement to lease 1.6 acres of university-owned land to the Omni Hotels Corporation for construction of a privately-operated hotel and conference center on Mill Avenue and University Drive. Omni made a one-time ground lease payment of \$6.1 million and will pay approximately \$1.1 million in annual ground lease payments in lieu of property taxes, increasing annually by an average of 2.5%. Omni began construction in September 2021 and the ASU website estimates the hotel will be completed in April 2023. As part of the 60-year lease agreement, ASU will reserve 275 of the 1,200 parking spaces for Omni. A portion of the annual ground lease payments received by ASU will be allocated to the parking structure debt service costs.

In January 2019, the Attorney General filed a lawsuit against the Arizona Board of Regents (ABOR) challenging the tax-exempt status for the Omni property and the financial terms of the agreement between ABOR and Omni. In that lawsuit, the Attorney General alleged that the lease agreement represents a misuse of the university's tax-exempt lands, exceeded ABOR's statutory authority for leases and violates the Arizona Constitution's gift clause. Decisions in the state's Tax Court and Court of Appeals so far have rejected a number of the Attorney General's claims. In September 2021, the Arizona Supreme Court agreed to review the case, which may result in the case being sent back to lower courts for additional proceedings. Oral arguments will be heard on December 16.

Financing

ASU intends to issue \$42.0 million of system revenue bonds in April 2023 with an anticipated rating of Aa2 (Moody's)/AA (S&P) and an estimated interest rate of 3.43% over a 30-year term. In addition to project costs, issuance costs are projected to be \$370,000. ASU will begin construction prior to bond issuance and will use their operating balances to cover costs until the bond proceeds are received.

(Continued)

The annual debt service will be approximately \$2.3 million from FY 2024 to FY 2053. ASU will fund the debt service with parking fees and revenue associated with the structure. These revenues include student parking fees, non-student parking fees related to nearby amenities, and a portion of annual payments received by ASU as part of the Omni ground lease agreement. *(See Table 2 for a summary of the bond financing terms.)*

The debt service on this project will increase ASU's current debt ratio by 0.06% from 5.04% to 5.1%.

Construction Costs

Of the total \$42.0 million project cost, \$35.4 million are direct construction costs. Total project costs per square foot are \$105, while direct construction costs per square foot are \$88 (see *Table 1*).

The most recent ASU parking structure project was completed in 2020 and included an expansion of an existing structure located on University Drive near Rural Road. The project added approximately 524 parking spaces and 179,770 square feet of space at a cost of \$16.2 million, or \$90 per square foot. The differences in costs compared to the proposed Mill Avenue parking structure are likely due to construction of an entirely new structure and the installation of additional utility infrastructure.

The university reports that the project will be completed through the Design-Build delivery method. Construction is estimated to begin in July 2022 and is scheduled for completion in August 2023.

Operations and Maintenance Costs

ASU expects the project to increase operations and maintenance costs by approximately \$72,900 annually, which will be funded by auxiliary revenues.

Table 1

Mill Avenue Parking Structure Construction Costs

Total Square Footage	401,874	
<u>Funding</u>		
System Revenue Bonds	\$42,000,000	
<u>Building Construction Costs</u>		
Direct Construction Costs	\$35,360,000	(\$88 per sq. ft.)
Other Costs ^{1/}	<u>6,640,000</u>	<u>(\$17 per sq. ft.)</u>
Total	\$42,000,000	(\$105 per sq. ft.)
Operations & Maintenance	\$72,900	

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

(Continued)

Table 2

Mill Avenue Parking Structure Financing Terms

Construction Timeframe	July 2022 – August 2023
Issuance Amount	\$42.0 million
Issuance Date	April 2023
Issuance Transaction Fees	\$370,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	3.43%
Term	30 years
Total Debt Costs	\$69.1 million
Debt Service Payments	\$2.3 million
Payment Source	Auxiliary Revenue
Debt Ratio Increase	0.06%

MD:kp



September 14, 2021

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007

Dear Senator Gowan:

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

- Classroom Office Building
- Mill Avenue Parking Structure
- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory Renovations
- IT Infrastructure Improvements

Enclosed is pertinent information relating to these items. If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

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

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Lorenzo Martinez, Vice President, Finance and Administration, ABOR
Adam C. Deguire, Associate Vice President, Federal and State Relations, ASU
Kendra Burton, Sr. Director, State Relations, ASU
Alex Kohnen, Interim Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Morgan Dorcheus, Senior Fiscal Analyst, JLBC

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**Joint Committee on Capital Review
Arizona State University
September 2021 JCCR Meeting**

2. Mill Avenue Parking Structure

Project Description

This project will construct a multi-level parking structure on a mixed-use development site at the northeast corner of Mill Avenue and Tenth Street in Tempe. This parking structure will replace an existing surface lot located at this site.

This ASU-owned parking structure will include one grade level and five above-grade levels with approximately 1,200 parking spaces and two passenger elevators. The parking structure will provide the essential capacity required to support the academic, cultural and social activities on the Tempe campus, replacing the capacity of the surface parking at this location and allowing for projected growth in activity.

The project also will include the installation of the required infrastructure to support the future addition of a thermal energy storage system under the parking structure. This infrastructure will support and integrate with the planned construction of an adjacent district utility plant to provide essential utility services to campus facilities and an adjacent wrap structure to provide needed space for university academic programs and retail space. The addition of the academic and retail components will enhance the student experience and the university's impact and social embeddedness in the community it serves.

The \$42.0 million project will be debt-financed with system revenue bonds. The annual debt service will be funded by auxiliary revenue. Annual operations and maintenance costs associated with this project are estimated at \$72,937 and will be funded by auxiliary revenue.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. The Finance, Capital and Resources Committee recommended approval of this project as part of the Amended Capital Development Plan (CDP) at its September 9, 2021, meeting. The Amended CDP is scheduled to receive final approval at the September 30, 2021, Arizona Board of Regents meeting.

Project Costs

Total Project Cost	\$ 42,000,000
Total Project Construction Cost	\$ 35,360,000
Total Project Cost per GSF	\$ 105
Construction Cost per GSF	\$ 88

EXECUTIVE SUMMARY

**Arizona State University
Amended Capital Development Plan—Project Justification Report
Mill Avenue Parking Structure**

Previous Board Action

- FY 2022–2024 Capital Improvement Plan October 2020

Project Justification/Description/Scope

- The proposed project will construct an approximately 401,874 gross-square-foot, multi-level parking structure on a mixed-use development site at the northeast corner of Mill Avenue and Tenth Street in Tempe. This parking structure will replace an existing surface lot located at this site, as depicted on the attached map as Exhibit C.
- This ASU-owned parking structure will include one grade level and five above-grade levels with approximately 1,200 parking spaces and two passenger elevators. The parking structure will provide the essential capacity required to support the academic, cultural and social activities on the Tempe campus; a new on-site hotel and conference center; and future site development.
- The parking structure will be constructed of high-quality, durable materials and building systems to minimize operational, repair and replacement costs. The structure will have an anticipated useful life of at least fifty years.
- ASU will pursue Parksmart Gold certification for this project through Green Business Certification, Inc. Energy-efficient and sustainable components will be integrated into the structure design, including the infrastructure required to support the expected growth in low-emission, hybrid and electric vehicle usage and the future installation of rooftop photovoltaic panels to further the university's commitment to climate neutrality.
- The project also will include the installation of the required infrastructure to support the future addition of a thermal energy storage system under the parking structure. This infrastructure will support and integrate with the future construction of an adjacent district utility plant to provide essential utility services to campus facilities and an adjacent wrap structure to provide needed space for university academic programs and retail space. The addition of the academic and retail components will enhance the student experience and the university's impact and social embeddedness in the community it serves.

EXECUTIVE SUMMARY

Project Delivery Method and Process

- The project will be constructed through the Design-Build delivery method. This approach was selected to streamline project delivery and to alleviate potentially adversarial project environments. This parking structure is suited to the DB delivery method due to its limited program requirements.
- The engineering firm of Kimley-Horn was hired to study the parking structure configuration options and compile the program requirements. The result of that effort is the Performance and Design Criteria document that was included in the Design-Build Request for Qualifications. This will be used as a basis for design by the DB team.
- ASU has selected McCarthy Building Companies with DFDG Architecture as the DB team for this project. The selection process included eight responses and five teams were interviewed.

Project Status and Schedule

- Project construction is scheduled to start in July 2022 and completion is targeted for August 2023.

Project Cost

- The budget for this approximately 401,874 gross-square-foot project is \$42.0 million. The budget represents an estimated construction cost of \$88 per gross square foot. The estimated total project cost is \$105 per gross square foot.
- The DB contractor will be at risk to provide the completed project within the agreed-upon GMP.

Fiscal Impact and Financing Plan

- The \$42.0 million project will be funded with system revenue bonds and amortized over an approximate thirty-year term. The annual debt service will be funded by auxiliary revenue.
- The estimated annual O&M cost associated with this project of \$72,937 will be funded by auxiliary revenue.

EXECUTIVE SUMMARY

- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project is 0.06 percent.

Occupancy Plan

- No backfill plan is associated with this project.

Statutory and Policy Requirements

- ABOR Policy 7-102 (B) requires committee review and board approval of all capital projects with an estimated total project cost of \$10 million or more, including information technology and third-party projects.
- ABOR Policy 7-107 (E) requires Amended CDP approval for new projects added outside of the regular CDP.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Mill Avenue Parking Structure

Project Description and Location: This project will construct an approximately 401,874 gross-square-foot, multi-level parking structure on the northeast corner of Mill Avenue and Tenth Street in Tempe, as depicted on Exhibit C. The project also will include the installation of the required infrastructure to support the future addition of a thermal energy storage system under the parking structure, an adjacent district utility plant and an adjacent structure to provide needed academic and retail space.

Project Schedule:

Planning	June	2019
Design Start	July	2021
Construction Start	July	2022
Construction Completion	August	2023

Project Budget:

Total Project Cost	\$	42,000,000
Total Project Construction Cost	\$	35,360,000
Total Project Cost per GSF	\$	105
Construction Cost per GSF	\$	88

Estimated Annual O&M Cost:

Utilities	\$	31,152
Personnel		28,606
All Other Operations		13,179
Subtotal	\$	72,937

Funding Sources:

Capital

A. System Revenue Bonds	\$	42,000,000
Debt Service Funding Source:	Auxiliary Revenue	

Operation/Maintenance	\$	72,937
Funding Source:	Auxiliary Revenue	

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University
Mill Avenue Parking Structure

	<u>Amended Capital Development Plan</u>
Capital Costs	
1. Land Acquisition	
2. Construction Cost	
A. New Construction	\$ 33,720,000
B. Tenant Improvements	-
C. Special Fixed Equipment	1,110,000
D. Site Development (excl. 2.E.)	100,000
E. Parking and Landscaping	200,000
F. Utilities Extensions	200,000
G. Other* (Demolition/abatement)	30,000
Subtotal Construction Cost	<u>\$ 35,360,000</u>
3. Fees	
A. CMAR Pre-Construction	\$ -
B. Architect/Engineer	1,401,707
C. Other	200,000
Subtotal Consultant Fees	<u>\$ 1,601,707</u>
4. FF&E Movable	\$ 50,000
5. Contingency, Design Phase	130,000
6. Contingency, Constr. Phase	3,204,992
7. Parking Reserve	100,000
8. Telecommunications Equipment	100,000
Subtotal Items 4-8	<u>\$ 3,584,992</u>
9. Additional University Costs	
A. Surveys, Tests, Haz. Mat. Abatement	\$ 150,000
B. Move-in Costs	15,000
C. Printing Advertisement	25,000
D. Keying, signage, facilities support	40,000
E. Project Management Cost	1,084,660
F. State Risk Mgt. Ins. (.0034 **)	138,641
Subtotal Addl. Univ. Costs	<u>\$ 1,453,301</u>
Total Capital Cost	<u><u>\$ 42,000,000</u></u>

* Universities shall identify items included in this category

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

