



BUILDINGS, INFRASTRUCTURE AND LAND

CAPITAL PLANNING AND DEVELOPMENT PROCESS

and

**OWNERSHIP, MANAGEMENT AND USE OF
UNIVERSITY REAL PROPERTY**

BASED ON

ABOR POLICY CHAPTER VII

AND APPLICABLE

ARIZONA REVISED STATUTES

August 2005

[Arizona Board of Regents](#)

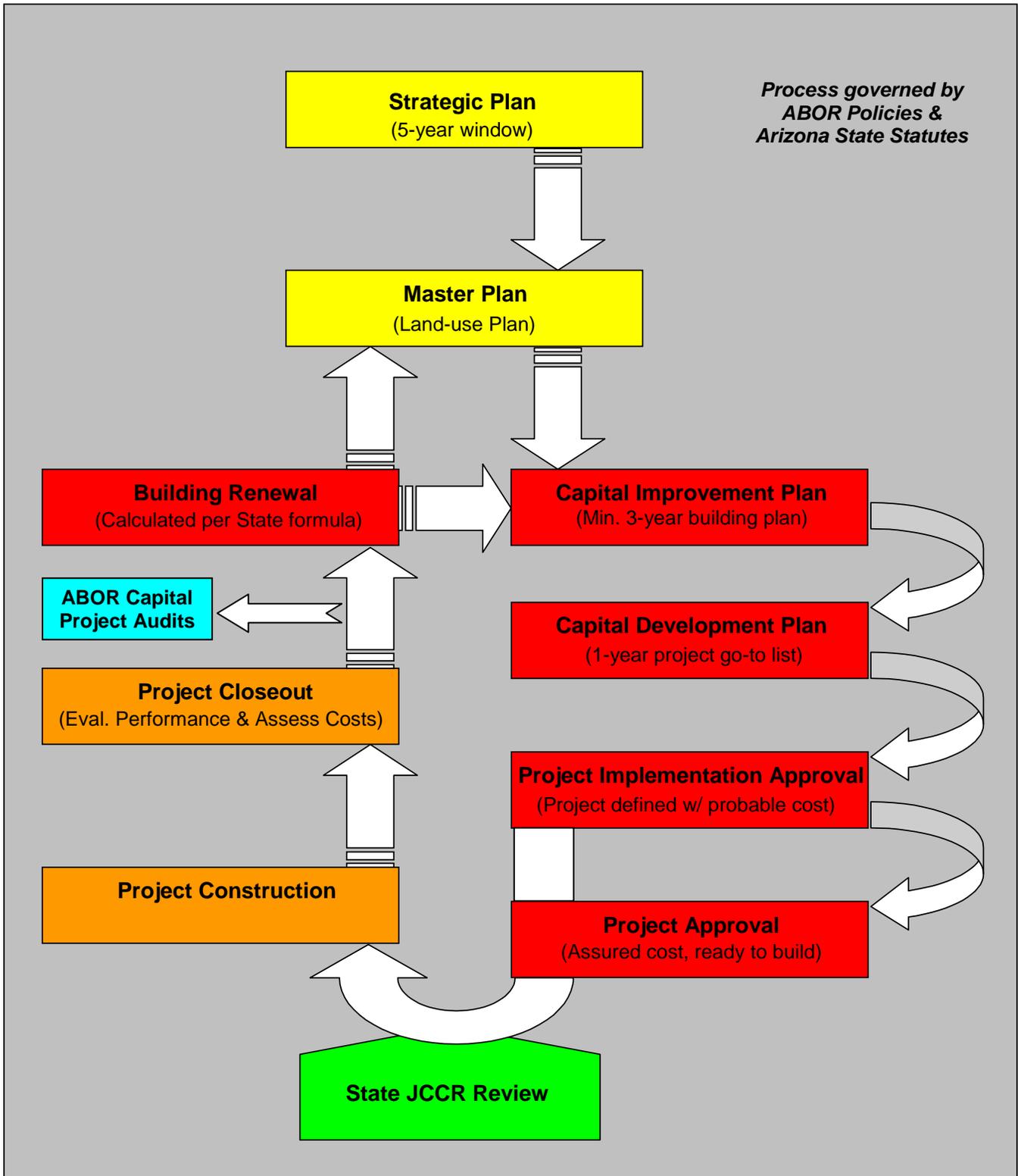
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**ABOR POLICY SUMMARY
BUILDINGS, INFRASTRUCTURE AND LAND**

CAPITAL DEVELOPMENT PROCESS DIAGRAM



ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

This document serves as a summary of the Arizona Board of Regents Policy Chapter VII – Buildings, Infrastructure and Land. This summary does not represent the entire ABOR Policy Chapter VII. A complete presentation of ABOR Policy can be found on the ABOR website under the Policy Manual section (www.abor.asu.edu/1_the_regents/policymanual/index.html).

OVERVIEW

A Capital Project is classified as the construction, renovation, or improvement of a university's buildings, structures, facilities, infrastructure, and areas for the use or benefit of the Arizona Board of Regents, the universities under its jurisdiction, and the State of Arizona.

New initiatives from the University's Strategic Plan and Space Inventory and Utilization Report inform the need for new capital projects. New projects are located in accordance with the approved University Master Plan and are refined by the universities as they proceed through the Capital Improvement and Capital Development Planning process. Following the Project Implementation and Project Approval process, the project is built during the Project Construction and Project Closeout phases, and then maintained through the request and allocation of Building Renewal funds.

The entire capital development process receives focused oversight by the Capital Committee. The Capital Committee is composed of four or more Regents charged to provide comprehensive review and approval of the capital development process, where delegated by Board policy, including capital projects, real property transactions, and financing activities.

CAPITAL PROJECTS

All capital projects with an estimated total project cost of \$2 million or more are brought to the Regents for approval regardless of funding sources or financing structure. Projects that originally were not required to enter the capital development process, but subsequently are forecasted to exceed the dollar thresholds as described above, must be submitted for approval.

The parameters of a project are not defined with the objective to bypass or minimize the requirements set forth in Board policy. The overall plans and costs for related and/or phased projects are also documented for consideration by the Board. Projects with common attributes, such as location, project type, etc., can be grouped together for Capital Development Plan and Project Implementation Approval. Projects within the group that exceed \$2 million are required to return for Project Approval.

The Board must approve any debt instrument regardless of total project cost, including lease-purchase agreements.

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

The universities are to maintain a Space Inventory and Utilization Report methodology that compares actual inventory and utilization data to the Regents' Space Guidelines, and assists in planning capital projects based upon space needs identified in the report. To assist in the budgeting of new projects, the universities are required to consider the Regent's Construction Cost Control and Professional Fee Guidelines and maintain a cost information database developed from completed projects.

For each capital project, the universities must fully disclose the estimated costs of the project and the debt issuance, current debt capacity, debt service, the assumptions made for the debt repayment, and the fiscal impact of the project. The final maturity of any capital financing undertaken by a university will not exceed the estimated useful life of the capital asset being acquired or constructed.

At the State government level, the Joint Committee on Capital Review (JCCR) reviews the scope, purpose, and estimated cost of university projects that require debt financing or lease-purchase agreements. Capital projects have JCCR review prior to requesting approval from the Board to issue bonds, and prior to construction.

STRATEGIC PLANNING

Each year the universities review and update their mission statements and five-year strategic plans, and the Board reviews the updated mission statements and strategic plans to ensure that they are consistent with system-wide goals and reflect current priorities.

The strategic plans identify the major capital and operating implications of key strategies, and identify how new capital projects contribute to specific strategic objectives or satisfy other important criteria such as meeting life safety requirements or correcting existing deficiencies.

MASTER PLANNING

A Master Plan document sets forth the concepts and guiding principles for future land use and development of campus facilities and infrastructure to support the university's mission statement and strategic plan for a ten- to twenty-year timeframe. Campus physical development plans are based on the academic and research services the institution intends to provide, on the student population it projects to serve, and on the image the university leadership wishes to project.

The universities maintain an ongoing planning process and conduct comprehensive plan reviews and updates at approximately five-year intervals. Presentations of updated plans occur at the first of two Board meetings, with approval being granted at the second.

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

CAPITAL IMPROVEMENT PLAN (CIP)

Capital Improvement Plans are a statutory requirement and serve as a reference document for current facilities inventory and related financial management information; as a general fund request; and to identify capital projects the university intends to implement during the next year, along with a forecast of proposed activities in the following two years.

A Capital Improvement Plan includes the following elements:

1. All Funds Summary
2. Building Renewal Report
3. Deferred Maintenance Report
4. Building Inventory
5. Lease Report
6. Land Report
7. Capital Project Status Report
8. Two-Year Capital Plan plus a Two-Year Forecast
9. Project Descriptions, Justifications, Scope and Budgets
10. Debt Capacity

State statute requires each university to inspect the condition, maintenance, and utilization of each building not less than once every four fiscal years and report its finding in the Capital Improvement Plan. In order to achieve this, each university inspects approximately 50 percent of its buildings within the first two years and inspects the remaining 50 percent in the remaining two years of the four-year cycle.

CIP approval allows the university to proceed to the Capital Development Plan phase for the projects identified as first-year projects. Each university may expend up to 2 percent, not to exceed \$250,000, of the estimated total project cost for advance planning and programming prior to placement of the project in the Capital Development Plan.

CAPITAL DEVELOPMENT PLAN (CDP)

The Capital Development Plan identifies the capital building projects that each university intends to initiate during the following fiscal year and is the initial Board approval of the concept, scope, and preliminary cost for each project. Projects included in the Capital Development Plan are generally carried forward from the previously approved annual Capital Improvement Plan.

CDP approval authorizes the universities to hire outside consultants to begin the design, cost estimating, and/or alternative building delivery (i.e., construction manager-at-risk, design/build) processes through schematic

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

design. No capital project can go forward if it is not identified in a Capital Development Plan.

The Capital Development Plan may be considered for mid-year revisions including the addition of new projects, project budget adjustments, and deletion of projects. If a project fails to move forward in the applicable fiscal year, it must be resubmitted for inclusion in a subsequent Capital Development Plan.

PROJECT IMPLEMENTATION APPROVAL (PIA)

The Project Implementation Approval (PIA) request seeks the Board's endorsement of the project's scope, schedule, and budget. In preparation, the university will complete the project's schematic design and may also contract for an alternative building delivery method such as Construction Manager at Risk (CM@R).

In preparing for the Project Implementation Approval submittal, the universities are authorized to expend up to 3 percent of the estimated total project cost for professional and consultant services or \$500,000 (whichever is greater), unless specifically authorized in the Capital Development Plan submittal.

Project Implementation Approval allows the university to proceed to the Project Approval phase. Projects must be resubmitted to the Board if the estimated total project cost increases, if 15 percent or more of the net assignable square feet requires reassigning or changing, or if the project does not receive Project Approval within 24 months.

PROJECT APPROVAL (PA)

The Project Approval request seeks the Board's approval to begin the Project Construction phase based on a finished design, a complete set of construction documents, and a final cost estimate or Guaranteed Maximum Price.

The university must seek Board approval if the project program has changed materially, the budget has increased, or the university does not initiate construction within 12 months of bid opening.

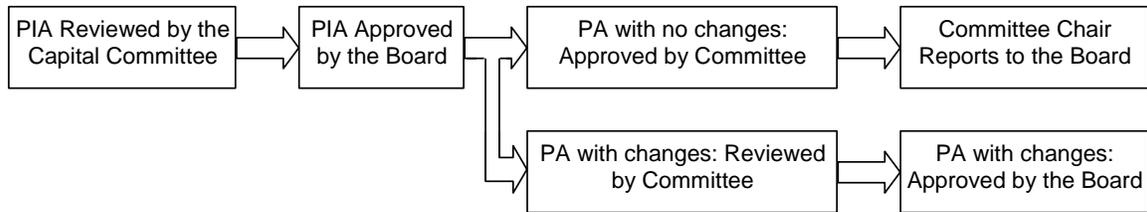
CAPITAL COMMITTEE REVIEW PROCESS

The Capital committee is charged with the focused review of all capital projects and has the delegated authority to grant Project Approval requests for projects with a total project cost between \$2 million and \$20 million.

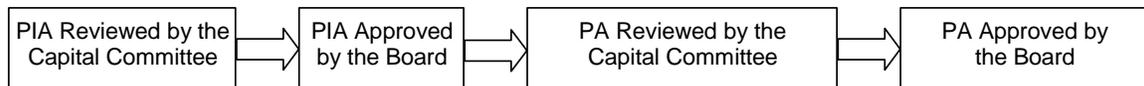
ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

Projects from \$2 million to \$20 million



Projects over \$20 million



PROJECT CONSTRUCTION

During the Project Construction phase, the university awards contracts and constructs the project in accordance with ABOR Policy 3-804, Design Services and Construction Services Procurement.

The universities may transfer funds among expenditure categories in the total project budget without Board approval. Board approval is required for increases in total project cost.

PROJECT CLOSEOUT

During the Project Closeout phase, the university obtains substantial completion, completes building commissioning, final inspection, accepts and occupies the facility, and provides final payment to the consultants and contractors. The university performs a review and formal evaluation of the consultants' and contractors' performances.

As a part of the Quarterly Report submittal, the Universities also transmit a Report for Substantially Completed Projects along with a copy of any relevant Certificates of Substantial Completion.

REPORTS

A quarterly Capital Project Status Report is submitted by the universities to keep the central office and Regents informed on the status of the capital assets at the universities.

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

The Space Inventory and Utilization Report compares the actual inventory of space and current utilization data to the Regents' Space Guidelines, and assists in planning capital projects based upon space needs identified in the report.

AUDITING

The central office audits capital projects on a periodic basis for compliance with Board policies. In addition, the central office audits a sample of projects funded with state-appropriated building renewal monies.

TITLE OF REAL PROPERTY

On behalf of the universities, the Arizona Board of Regents holds title to the universities' properties and leases.

PURCHASE OF REAL PROPERTY

The purchase of real property by a university requires prior approval of the Board unless the property is located within the university planning boundary and the purchase price is less than \$500,000.

SALE OF REAL PROPERTY

Real property that the university anticipates to be worth \$250,000 or more may be sold only with prior authorization from the Board and requires a public auction. Real property anticipated to be worth less than \$250,000 may be sold without Board approval by listing it with a licensed broker who is a member of any multiple listing service, or by public auction. No real property for which an appraisal is required may be sold for less than the lowest appraised value of the property.

EXCHANGE OF REAL PROPERTY

All exchanges of real property in which either parcel has a value of \$250,000 or more require Board approval. A university may enter into an exchange, notwithstanding a differential in the appraised values of the properties, if (a) the differential is paid in cash or other consideration acceptable to the university, or (b) the differential is less than 20 percent, and the university determines that the value given by the university is within the foreseeable range of possible outcomes if the property to be acquired by the university were to be taken under the power of eminent domain.

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

GRANTS/GIFTS OF REAL PROPERTY

Each university may grant or amend easements/rights-of-way to other public entities and public service corporations or to private entities without prior Board approval. A university may accept gifts or bequests of real property. Prior to or concurrently with the acceptance, the university (a) examines the property to determine environmental and other liability risks associated with ownership, and (b) determines that the intention of the donor is documented in sufficient detail to provide the basis for the future managing or sale of the property.

APPRAISALS

One appraisal is obtained for any sale, purchase, or exchange of real property with an anticipated sale price of \$100,000 or more but less than \$1 million. Two appraisals are obtained for any sale, purchase, or exchange of real property with an anticipated sale price of \$1 million or more. All appraisals are to be independent, unilaterally requested, and paid for by the university. No appraisal is required in connection with a sale, purchase, or exchange of property with an anticipated sale price of less than \$100,000. No appraisal may be used for any purchase, sale, or exchange unless the appraisal has been made within six months of the time of Board or university action approving the transaction.

LEASES

A university may enter into a lease or lease amendments as landlord or lessor without Board approval (except for use of athletic facilities by professional teams), provided all of the following criteria are met:

- a. The lease term including all renewals shall not exceed 120 months;
- b. The annual base lease amount does not exceed \$500,000; and
- c. The rental rate meets or exceeds the fair rental value of the property.

A university may enter into leases or lease amendments as tenant or lessee without Board approval provided all of the following criteria are met:

- a. The original lease term shall not exceed a total of 60 months;
- b. Renewal options in total shall not exceed an additional 60 months;
- c. The total annual rental including tax, insurance, and maintenance payable to, through, or on behalf of the landlord shall not exceed \$500,000;
- d. The rental rate does not exceed fair rental value; and
- e. Funds are available.

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

Each university may authorize the use of university athletic facilities by professional teams meeting the standards approved by the Board. The rental rates for use of university facilities and properties by off-campus organizations are approved by the president of each institution.

GLOSSARY

Alternative Construction Delivery Methods: Building Delivery Processes that vary from the more standard Design-Bid-Build model. These may include Construction Manager-At-Risk and Design-Build.

Backfill Plan: A plan for how release space will be reoccupied, including an estimate of associated costs and source of funds.

Annual Capital Improvement Plan (CIP): Every year the universities are required to prepare a Capital Improvement Plan that contains proposals for spending on land acquisition, capital projects, energy systems, energy management systems and building renewal. This CIP is to include a one-year plan and at least a two-year forecast of proposed capital activity.

Building Renewal: Major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine maintenance, or demolition and removal of a building.

Capital Development Plan (CDP): A plan for identifying capital building projects that each university intends to initiate during the following fiscal year, including a fiscal management plan.

Capital Committee: A committee composed of four or more regents charged to provide comprehensive review and approval of the capital development process, where delegated by Board policy, including capital projects, real property transactions, and financing activities.

Capital Projects: Buildings, structures, facilities, infrastructure and areas constructed, renovated, or improved for the use or benefit of the Arizona Board of Regents, the universities under its jurisdiction, and the State of Arizona. (Major capital projects are those projects with a total project cost of \$2 million or greater.)

Construction Documents: Those documents used for the solicitation of bids and the subsequent construction of a project. These include the bidding documents, contract forms, technical and general specifications, drawings,

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

any addenda issued during the bidding process and any approved change orders.

Debt Ratio (ABOR): The numerator of the debt ratio shall include all capital debt payments for a fiscal year and the denominator shall be comprised of all unrestricted current expenditures and mandatory transfer.

Deferred Maintenance: Facility condition deficiencies identified through physical inspections where deterioration and/or life safety concerns are evident and affect the proper functioning of the facility. Typical building components with deficiencies include: heating, ventilation and air conditioning, roofs, flooring, walls, ceiling and lighting, electrical and plumbing. Deferred maintenance does not include routine maintenance needs.

Demolition: The removal of all or any part of a structure for any purpose.

Fiscal Management Plan: A plan that identifies and justifies the source of funds, financing instruments, term and approaches (e.g., lease-lease/back), annual debt service, source of funds for debt service coverage, impact on tuition and annual operations and maintenance costs (including source of funds) for any capital project a university proposes to undertake. The plan will also address the potential impact of the project on university debt capacity and bonding authority (if applicable).

Fixed Equipment: Consists of permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, bulletin boards, kitchen cabinets, environmental walk-in boxes, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, chalkboards, backbone telecom/data/systems and electrical systems, fume hoods, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location.

Furniture/Fixtures and Equipment (FF&E): Moveable furniture, fixtures, or equipment that requires no permanent connection to utilities or to the structure. They may require utility outlets, but are plug-in types. Examples include but are not limited to: moveable or non-fixed theater or classroom seating, electronic equipment, desks, chairs, bookcases, files, waste receptacles, easels, partitions, refrigerators, tables, credenzas, stools, typing stands, computer stands and other furniture, including interior wall/furniture systems. FF&E also includes scientific or technical equipment such as autoclaves, centrifuges, lasers, spectrometers, shop equipment/tools, kilns, and microscopes.

Infrastructure: Non-building improvements that directly support operating a facility that is listed in the annual building system such as, but not limited to, utility

ABOR POLICY SUMMARY

BUILDINGS, INFRASTRUCTURE AND LAND

delivery systems, (e.g., steam and chilled water) roadway systems, external lighting systems, irrigation systems, sidewalks and parking lots. Additional campus infrastructure includes: campus grounds, other circulation systems (bike paths, pedestrian routes, etc.), and parking structures.

Land acquisition: The procurement of real property by gift, grant, purchase, lease purchase, condemnation or other lawful means.

Life Safety/Code Upgrades: Those items specifically related to compliance with life safety codes. Examples include but are not limited to: elimination of dead-end corridors, improvement of building exits, installation of fire sprinklers in existing construction, eliminating hazardous conditions, etc.

Major Maintenance: The periodic need to repair/rework building and infrastructure systems or components. Examples include but are not limited to: re-roofing, disassembling and rebuilding air-conditioning system water chillers and other long-term maintenance requirements.

Master Plan: A document setting forth the concepts and guiding principles for future land use and development of campus facilities and infrastructure.

New Construction: The creation of a new facility or the addition, expansion, or extension of an existing facility that adds to the building's overall gross square footage. Examples include but are not limited to: additions to existing facilities, construction of portable or temporary buildings, etc.

Release Space: Space vacated in the existing inventory of campus buildings as a result of new space being added to that inventory (e.g., new construction, lease, etc.).

Routine/Preventive Maintenance: The recurring need to keep in good repair building and infrastructure systems or components. Examples include but are not limited to: replacement of cooler pads, air filters, light bulbs, drive belts, lubrication, painting schedules, elevator maintenance, and other required scheduled maintenance.

Shell Space: Building space that has not been finished as part of the original construction project. Examples include but are not limited to: unfinished areas of a building such as floors and basements.

Total project cost: The full cost of a project that includes all direct construction costs (material, labor, site development, utilities, and infrastructure, extension, inflation adjustment, etc.) and indirect costs (land acquisition, architectural and engineering fees, furniture/fixtures & equipment, contingencies, etc.)

ABOR POLICY SUMMARY BUILDINGS, INFRASTRUCTURE AND LAND

CAPITAL DEVELOPMENT PROCESS

ANNUAL CALENDAR

January

CDP Updates/Revisions Presented to Board
CIP Quarterly Report to Central Office – FY 2nd Qtr.

February

March

April

Annual Calendar issued by Central Office
CIP Quarterly Report to Central Office – FY 3rd Qtr.

May

5/1 - Space Inventory & Utilization Report to Central Office
CDP Draft to Central Office

June

CDP Presented to the Board
6/1 – Energy Conservation Report to Central Office

July

CIP Quarterly Report to Central Office – FY 4th Qtr.
Private Lease Report to JCCR (every even numbered FY)

August

8/1 – University Building System Report to Central Office

September

CIP Draft Submitted to the Central Office
CIP Presented to the Board
Debt Capacity Report to the Central Office

October

10/15 - CIP Presented to Governor's Office
CIP Quarterly Report to Central Office – FY 1st Qtr.

November

December

**ABOR POLICY SUMMARY
BUILDINGS, INFRASTRUCTURE AND LAND**

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