

FY 2018

Capital Development Plan

Northern Arizona University

EXECUTIVE SUMMARY

Item Name: FY 2018 Capital Development Plan (NAU)

- Action Item
- Committee Recommendation to Full Board
- First Read of Proposed Policy Change
- Information or Discussion Item

Issue: Northern Arizona University requests approval of its FY 2018 Capital Development Plan (CDP), which includes one new project, the renovation and expansion of a Recital Hall. The CDP financial impact totals \$15 million.

Previous Board Action

- FY 2018 – 2020 Capital Improvement Plan September 2016

Enterprise or University Strategic Plan

- Empower Student Success and Learning
- Advance Educational Attainment within Arizona
- Create New Knowledge
- Impact Arizona
- Compliance
- Real property purchase/sale/lease
- Other:

Statutory/Policy Requirements

- Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual Capital Development Plan for the upcoming fiscal year in accordance with the calendar approved by the President of the Board. The CDP may also be considered for revisions and include the addition of new projects, project budget adjustments, and deletion of projects.
- Capital Development Plans are reviewed by the Business and Finance Committee and approved by the Board.
- Approval of the CDP allows universities to complete design and planning in preparation for submitting individual projects for final approval by the Business and Finance Committee, with a final report to the full Board.

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Project Justification/Description/Scope

- Northern Arizona University's FY 2018 CDP totals \$15 million and includes one new project:
 - Recital Hall
- For this CDP, NAU has engaged in planning and design for the construction of a Recital Hall for academic use, as well as additional multi-functional performances. This project responds to a need to provide safe, reliable and high-quality space for NAU students to address aged facilities as well as promote student success and community engagement.
- The primary institutional priorities supported by the project submitted for approval in the CDP include:
 - **Student Success:** Promote high levels of student access, engagement, achievement, and affordability. A key strategy to achieve this goal is to improve student learning and achievement. Locating the Recital Hall adjacent Ardrey Auditorium and the Performing & Fine Arts building creates a robust Performing and Fine Arts Complex that is designed to maximize a student's academic experience by uniting the pedagogy with the physical space.
 - **Diversity, Civic Engagement, and Community Building:** Promote issues of diversity, civility, democracy, citizenship, and community engagement and collaboration. Foster programs linked to civic engagement. Promote community engagement. The College of Arts and Letters presented more than 400 events in the last year, attracting 80,000 people to campus. The College of Arts and Letters is one of the largest providers of cultural offerings to the university and community. Expanded and improved music facilities will not only positively impact NAU students, but will better serve the needs of the local community including our K12 education partners.
- Additional detail on the proposed project can be found in the attached project justification report.

Fiscal Impact and Financing Plan

- The NAU FY 2018 CDP, if fully implemented, reflects a total cost of \$15 million.
- Of the total amount, \$9.25 million will be financed using System Revenue Bonds.

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- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project will be 0.14% above the estimated debt service of the Honors Community project that was approved at the April 2017 Board meeting.
- The tables in Exhibits 1 & 2 provide details on project financing, funding sources and debt ratio impact.
- The following table reflects charitable gift funding anticipated for the Recital Hall plan of finance.

	Approval Date	Occupancy Date	Project Cost	Gift Target	Current Gifts and Pledges
Recital Hall	CIP 9/2016	10/2018	\$15,000,000	\$5,750,000	\$2,100,000
Total			\$15,000,000	\$5,750,000	\$2,100,000

Requested Action

Northern Arizona University asks that the committee forward to the full board for approval of its FY 2018 Capital Development Plan, as described and presented in this Executive Summary.

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EXHIBIT 1

Project Summary

Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service ¹	Debt Ratio
Academic/Support Projects							
Recital Hall	CIP 9/16	26,863	\$ 15,000,000	\$ 9,250,000	System Revenue Bonds/Gifts	\$ 833,000	5.70%
New Academic/Support Projects Total		26,863	\$ 15,000,000	\$ 9,250,000		\$ 833,000	5.70%
Resubmitted Projects							
No resubmitted projects							
Resubmitted Total							
TOTAL		26,863	\$ 15,000,000	\$ 9,250,000		\$ 833,000	5.70%

¹ At max of 6% debt service rate.

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EXHIBIT 2

**Annual Debt Service and Operation and Maintenance Costs
 By Funding Source**

CAPITAL DEVELOPMENT PLAN - ANNUAL DEBT SERVICE BY FUNDING SOURCE											
Project	Amount Financed	301	TUI	AUX	ICR	OLF	SLP	FGT	DFG	OTH	TOTAL ANNUAL DEBT SERVICE
New Academic/Support Projects											
Recital Hall	\$ 9,250,000		\$ 833,000								\$ 833,000
Academic/Support Projects Total	\$ 9,250,000	\$ -	\$ 833,000	\$ -							\$ 833,000
Resubmitted											
No resubmitted projects											
Resubmitted Total											
Total	\$ 9,250,000	\$ -	\$ 833,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 833,000

OPERATION AND MAINTENANCE BY FUNDING SOURCE											
Project	TOTAL ANNUAL O&M	301	TUI	AUX	ICR	OLF	GFA	FGT	DFG	OTH	
New Academic/Support Projects											
Recital Hall	\$ 80,000		\$ 80,000								
Academic/Support Projects Total	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Resubmitted											
No resubmitted projects											
Resubmitted Total											
Total	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Debt Service Funding Source

Codes: (301) 301 Fund/Other (ICR) Indirect Cost Recovery (OTH) Other
 (DFG) Debt Financed by Gifts (TUI) Tuition (OLF) Other Local Funds (FGT) Federal Grant

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**Arizona Board of Regents
Northern Arizona University
Capital Development Plan Project Justification Report
Recital Hall
(NAU Project Number: #09.371.162)**

Previous Board Action

- Capital Improvement Plan FY18 – FY20 September 2016

Statutory / Policy Requirements

- ABOR Policy 7-109 requires Committee approval of new construction projects with a total project cost over \$10 million before contracts can be executed and construction can begin.

Project Justification/Description/Scope

- This project encompasses the planning, design, and construction of a Recital Hall and the renovation of existing space in need of maintenance and repair, for the College of Arts and Letters, located between the Ardrey Memorial Auditorium and the Performing and Fine Arts building. Project components include a 250-seat recital hall, a choral rehearsal room, an instrumental rehearsal room, a choral library, an instrumental library, and a lobby space.
- The construction includes 21,463 of new GSF for the Recital Hall and instrument rooms, and 5,400 GSF of renovation of the existing choral rooms, for a total of 26,863 of construction.
- The completion of this project will solve existing acoustic and logistical problems that are impacting the quality of music education at NAU. As facilities continue to age, and student enrollment continues to increase, the gap in keeping up with the demand for use of NAU facilities and the quality of spaces continues to widen.
- This project creates a Performing and Fine Arts Complex that wholly serves the needs of NAU's students and the northern Arizona community. This recital hall, in combination with the other performance venues on campus, will increase the stature and allure of NAU for prospective students, local audiences, faculty members, and guest performing artists. NAU's reputation and brand recognition will improve throughout the region, and recruitment of additional high quality students will be enhanced.

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Project Delivery Method and Process

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This approach was selected to provide contractor pre-construction services and a high level of project team integration, which alleviates potentially adversarial project environments.
- NAU utilized a request for qualifications (RFQ) to select RSP Architects as the design professional and Core Construction as the CMAR for this project.

Project Status and Schedule

- This project is in the design phase, with construction scheduled to begin when all approvals are in place. Construction is targeted to begin in June 2017, with Substantial Completion in October 2018.

Project Cost

- The budget for this project is \$15.0 million.
- The budget represents an estimated construction cost of \$415 per GSF and a total project cost of \$558 per gross square foot.
- This project is utilizing the CMAR delivery method in which the CMAR is at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). A final report on project cost and schedule will be provided at project completion.

Fiscal Impact and Financing Plan

- The \$15.0 million for the Recital Hall will be financed with \$9.25 million in System Revenue Bond proceeds and \$5.75 million in gifts.
- The projected incremental debt ratio impact for this project will be 0.14% above the estimated debt service of the Honors Community project that was approved at the April 2017 Board meeting.

Occupancy Plan

- This project is scheduled to minimize the impact to the College of Arts and Letters. As such, there will be a temporary relocation of the choral and band practice rooms during construction so classes can continue uninterrupted.

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- The Recital Hall will have two key completion dates. The first is for the completion of the choral and band practice rooms. These must be complete by August 2018 to accommodate the start of school. The recital hall space will be complete by October 2018.
- An evaluation of the vacated space at Ashurst Hall is underway by NAU's Strategic Space Planning Committee to determine its best future use.

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Capital Project Information Summary

University: Northern Arizona University

Project Name: Recital Hall

Project Description and Location:

The construction of a 26,863 gross square feet of Recital Hall to create improved facilities for the School of Music.

Project Schedule:

Planning	November 2015
Design Start	March 2016
Construction Start	June 2017
Occupancy	October 2018

Project Budget:

Total Project Cost	\$	15,000,000
Total Project Cost per sq. ft.	\$	558
Direct Construction Cost	\$	11,152,000
Construction Cost per sq. ft.	\$	415

Change in Annual Operating/Maintenance Costs:

Utilities	\$	15,000
Personnel	\$	37,000
All Other Operating	\$	28,000
	\$	<u>80,000</u>

Funding Sources:

Capital:

• System Revenue Bonds	\$	9,250,000
• Gifts	\$	5,750,000
• Auxiliary Funds	\$	0
	\$	<u>15,000,000</u>

Operation/Maintenance:

• Tuition and Fees	\$	80,000
	\$	<u>80,000</u>

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Capital Project Cost Estimate

University: Northern Arizona University

Project: Recital Hall

	Capital Development Plan	Project Approval
Capital Costs		
1. Land Acquisition	\$ -	\$ -
2. Construction Cost		
A. New Construction	\$11,152,000	
B. Renovation		
C. Fixed Equipment		
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other		
H. Inflation and Market Adjustment		
Subtotal Construction Cost	\$ 11,152,000	\$ -
3. Fees		
A. Construction Mgr		
B. Architect/Engineer (14%)	\$1,555,000	
C. Other		
Subtotal Consultant Fees	\$ 1,555,000	\$ -
4. FF&E Movable	\$139,700	
5. Contingency, Design Phase (10.0%)	\$155,000	
6. Contingency, Construction Phase (9.0%)	\$1,026,000	
7. Parking Reserve		
8. Telecommunications/Security Equip	\$180,000	
Subtotal Items 4-8	\$ 1,500,700	\$ -
9. Additional University Costs		
A. Surveys, Tests, Inspections, etc.	\$204,000	
B. Move-in Costs		
C. Printing Advertisement	\$34,000	
D. Commissioning	\$39,200	
E. 3rd Party Estimate, Audit	\$31,700	
F. Project Management Cost (3%)	\$436,900	
G. State Risk Mgmt Insurance (0.34%)	\$46,500	
Subtotal Additional University Costs	\$ 792,300	\$ -
TOTAL CAPITAL COST	\$ 15,000,000	\$ -

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Project Location: Recital Hall



North ↑

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