

FY 2016
Capital Development Plan
Northern Arizona University

Revised April 2016

EXECUTIVE SUMMARY

Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service ¹	Debt Ratio
New Auxiliary Projects							
South Dining Renovation	CIP 2015	50,759	\$22,000,000	\$14,000,000	System Revenue Bonds/Aux	\$1,266,000	0.19%
New Projects Total		50,759	\$ 22,000,000	\$ 14,000,000		\$1,266,000	0.19%
Previously Approved Third-Party Projects							
Runke Drive Student Apts.	CIP 9/2014	TBD	N/A	N/A	Third-Party	N/A	N/A
Resubmitted Total			N/A	N/A		N/A	N/A
TOTAL		50,759	\$ 22,000,000	\$ 14,000,000		\$1,266,000	0.00%

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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 Auxiliary Project											
South Dining Renovation	\$14,000,000			\$ 1,266,000							\$ 1,266,000
Auxiliary Projects Total	\$14,000,000		\$ -	\$ 1,266,000							\$ 1,266,000
Resubmitted Third Party Project											
Runke Drive Student Apts.	N/A										
Resubmitted Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$14,000,000	\$ -	\$ -	\$ 1,266,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,266,000

CAPITAL DEVELOPMENT PLAN - OPERATION AND MAINTENANCE BY FUNDING SOURCE											
Project	TOTAL ANNUAL O&M	301	TUI	AUX	ICR	OLF	GFA	FGT	DFG	OTH	
New Auxiliary Projects											
South Dining Renovation	\$0.00										
Auxiliary Projects Total	\$0.00										
Resubmitted Third Party Project											
Runke Drive Student Apts.	N/A										
Resubmitted Total	\$ -										
Total	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Debt Service Funding Source Codes:

(301) 301 Fund/Other

(ICR) Indirect Cost Recovery

(GFA) General Fund Appropriation

(TUI) Tuition

(OLF) Other Local Funds

(FGT) Federal Grant

(AUX) Auxiliary

(SLP) State Lottery Allocation Proceeds

(DFG) Debt Financed by Gifts

(OTH) Other

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**Arizona Board of Regents
Northern Arizona University
Capital Development Plan Project Justification Report
Privatized Residence Hall – Runke Drive Student Apartments
(NAU Project Number: #09.870.151)**

1. Previous Board Action:

- Capital Improvement Plan September 2014

2. Statutory / Policy Requirements:

- Board Policy 7-107 B.1. requires Capital Committee review and Board approval of the annual Capital Development Plan.
- Capital projects where the Board and the university share with other entities (public/private ventures) the control, financing, or ownership (current or future) of the project and/or its delivery process and that are subject to review under Board policy 7-207, shall be included in the Capital Development Plan and reviewed by the Business and Finance Committee and approved by the Board.

3. Project Justification / Strategic Implications for Mission, Strategic Plan, Master Plan and Community Input Process:

- The mission of Northern Arizona University is to provide an outstanding undergraduate residential education. This project directly supports that mission by seeking to provide residential options for students within a vibrant community setting.
- Residence Life data indicates students who live on campus have a higher success rate than those who do not. Retention and graduation rates are considerably higher for those students residing in campus housing. Campus housing provides a safe, supportive learning environment. Even with the recent new residence complexes and housing, much of the existing campus housing is approaching 50 years of age and will require major mechanical renovation or replacement. In addition, these units will require modifications to meet student technology needs and remain competitive as a desired housing option on a residential campus.
- The campus currently contains 7,114 housing units that are in aging facilities. A large portion of the existing inventory, approximately 4,700 beds, is reserved for first-year students. The new projects are intended for sophomores, juniors, seniors, and graduate students.
- In August 2012, American Campus Communities opened its first two

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privatized residence halls on NAU's campus, The Suites I and Hilltop Townhomes, which added a total of 1,126 beds. In September 2013, NAU and ACC amended The Suites I ground lease adding The Suites II, a 328 bed facility, which opened in August 2014. ACC currently operates 1,454 beds on NAU's Flagstaff campus. These three projects have been operating at a 99% occupancy level since opening. NAU and ACC will continue this proven successful relationship through this Runke Drive Student Apartments project.

4. Project Description / Scope / Compliance with Space Standards:

- Through its agreement with NAU, ACC will construct new apartment style housing on the Flagstaff campus. The project is proposed to be 620 beds and serve non-first-year residents. There are no occupancy guarantees by the University.
- The project will be constructed to standards comparable to the most recent NAU residence halls, and will be maintained throughout the lease term in Class A condition. Construction documents are subject to NAU approval with input from a third-party group for Fire Life Safety.
- In addition, a four-story parking structure will be constructed by ACC as part of this project. The number of stalls is still to be determined but is estimated to be 706 stalls.
- The project will include a landscaped courtyard and amenity spaces throughout the site. Amenity spaces include a Community Center space which includes: lobby/leasing area, social room, game room, computer lab, mail area and fitness located at the ground level.

5. Project Delivery Method and Process:

- American Campus Communities was selected as the developer through an RFP process. It was the university's intent to select a qualified developer that demonstrated superior knowledge, experience, organization, and financial ability to implement large, complex, and innovative projects. The method of selection was a two-phase process consisting of a submittal of qualifications followed by price proposals.
- Phase I Qualifications were based on an Executive Summary, Developer Profile/Information, Development Team Profile, Previous Development Experience, Financial Capability, Student Housing Management Experience and any additional information that may have assisted in the university's evaluation.
- A list of qualified developers was created from the submitted qualifications. Developers on the qualified list were requested to submit

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additional detailed information on Financials, Development Proposals, and other critical criteria. ACC was selected as the student housing developer from this procurement process.

- American Campus Communities currently has two ground leases and residence halls with the university from this RFP (The Suites I & II, and Hilltop Townhomes). The Runke Drive Student Apartments will be a new ground lease between ACC and NAU, similar in form and function to the previous leases.

6. Estimated Project Cost and Cost Development:

- All project costs will be paid by ACC for this project.

7. Project Status and Schedule:

- Northern Arizona University is finalizing negotiations with American Campus Communities for development of Runke Drive Student Apartments.
- Approval to enter into a Ground Lease will be brought to ABOR in a separate Board Action Item for approval prior to construction.
- It is planned that the project will begin construction in January 2016 with an anticipated completion date of August 2017.

8. Fiscal Impact and Financing Plan:

- The construction project will be funded through a ground lease agreement. The ground lease agreement between the University and ACC will facilitate the ability of ACC to finance the project. The University retains ownership of the project site.
- American Campus Communities will fund the entire project construction cost, estimated at \$55 million initially, with 25% equity and 75% debt funding. The University has no obligation to support the facility financially. The project has no occupancy guarantees from the University.

9. Backfill / Use Plan:

- A backfill plan is not applicable to this project.

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10. Alternatives:

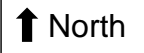
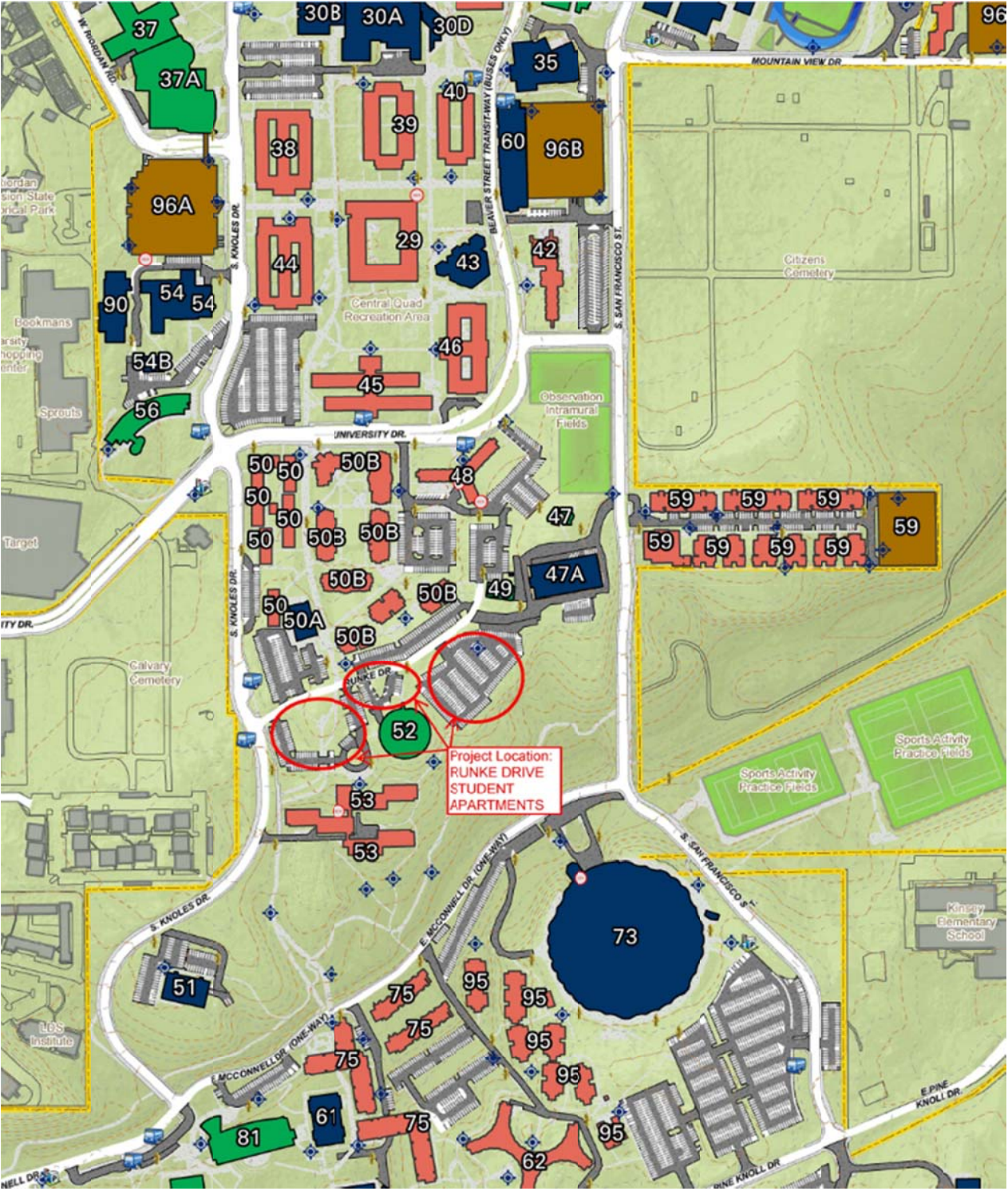
- There are no viable alternatives to this project.

11. Other Related projects:

- There are no related projects.

12. Project location map:

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**Arizona Board of Regents
Northern Arizona University
Capital Development Plan Project Justification Report
South Dining Renovation
(NAU Project Number: #09.630.161)**

Previous Board Action:

FY 2017 – 2019 Capital Improvement Plan

September 2015

Statutory / Policy Requirements:

- Pursuant to Arizona Board of Regents Policy Chapter 7-102, all capital projects with an estimated total project cost of \$5 million or more for renovation or infrastructure projects, or \$10 million or more for new construction or information technology projects shall be brought to the Business and Finance Committee for approval regardless of funding source or financing.

Project Justification/Description/Scope

- A recent campus space assessment and the 2010 Master Plan identify the need for increased dining facilities as well as study spaces on south campus. The primary dining and study spaces are located in mid and north campus while there is a large concentration of student housing and classrooms on south campus. Current facilities do not have adequate space for current enrollment and will become more deficient as enrollment increases.
- A university's physical campus and student services are critical to recruiting and retaining high quality students. The South Dining facility is a critical component to the enhancement of student life in South campus. It will be host to an active, dynamic dining program with food choices and amenities that are crafted to be consistently interesting and relevant to student interests. The dining options that prevail should foster and reinforce the unique identify of the site in an outcome that attracts both students and the broader university community to the site.
- This project will renovate the basement and first floor of the South Dining facility, as well as the first floor of the adjoining DuBois Center to allow for expanded dining and student learning space. The total renovation will cover 50,759 square feet, which includes making the unexcavated dirt floor basement of the South Dining facility useable space.
- Four hundred twenty-five (425) seats will be provided in the main dining room of the South Dining facility, with approximately 40 more seats outdoor. Summer conference dining activity will be able to expand to the adjacent conference rooms. The dining cashier control point for the all-you-care-to-eat dining program will be flexible to allow for access to the conference rooms during the summer so that camp and

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conference attendees will be able to dine without leaving the all-you-care-to-eat environment.

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 higher level of project team integration, which alleviates potentially adversarial project environments.
- NAU utilized a request for qualifications (RFQ) to select Smithgroup JJR as the design professional and Okland Construction as the CMAR for this project. Seven design professionals responded to the RFQ and four firms were interviewed before selecting Smithgroup JJR as the most qualified design professional. Nine CMARs responded to the RFQ and five firms were interviewed before selecting Okland Construction as the most qualified CMAR.

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 2016, with Substantial Completion in August 2017.

Project Cost

- The total project budget is \$22 million, which is funded from \$14 million in System Revenue Bonds and \$8 million in auxiliary funds.
- The overall budget represents an estimated construction cost of \$320 per gross square foot. The estimated total project cost is \$433 per gross square foot. The following table represents projects considered comparable to this South Dining Renovation.

Comparable Project	Location	Project Size/SF	Year Completed	Escalated Const. Cost/SF
University Union Dining Expansion, NAU	Flagstaff, AZ	32,877	Aug-08	\$ 327
Student Union/Dining, Fort Lewis College	Durango, CO	103,000	Mar-11	\$ 409
Dining Facility, Western Michigan University	Kalamazoo, Michigan	67,000	Oct-16	\$ 418 *
Average Comparable Project		67,626		\$ 385

*Estimated as still under construction

Considering these relevant comparable construction costs, the South Dining renovation budget of \$320 per gross square foot is considered reasonable.

- The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). The GMP is based on 100% Schematic Design Documents. A third party estimate was complete by Gilbane. The estimate from the

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CMAR, and the third-party estimator are within 1% of each other on the cost of construction for the project.

Fiscal Impact and Financing Plan:

- The \$22 million for the South Dining Renovation will be funded with \$14 million in system revenue bond proceeds and \$8 million from auxiliary funds. The debt service on the bonds will be paid by auxiliary funds.
- **Debt Ratio Impact:** The debt service associated with this project will increase the debt ratio by 0.19%, from 5.14% to 5.33%.
- Current market conditions indicate that NAU will issue long-term fixed rate bonds with a final maturity of approximately 20 years. NAU's financial advisor estimates the overall true interest rate on the bonds as of March 9, 2016 will be 3.14%. NAU will proceed with the financing if the overall true interest cost of the bonds is not more than 6% per annum. The estimated annual debt service based on the 6% not to exceed rate is \$1,266,000, which will be funded from auxiliary services.

Occupancy Plan

- The South Dining facility will continue to house both retail and residential dining, with expanded seating areas. Additionally, some functions of the existing Learning Resource Center will be relocated to this renovated space. An evaluation of the vacated space in the Learning Resource Center is underway by NAU's Strategic Space Planning Committee to determine its best future use.

EXECUTIVE SUMMARY**Capital Project Information Summary****University:** Northern Arizona University**Project Name:** South Dining
Renovation**Project Description and Location:**

The renovation of 50,579 gross square feet of South Dining and DuBois Center to create a South Student Learning Center and a larger, more efficient south dining space.

Project Schedule:

Planning	August 2015
Design Start	November 2015
Construction Start	June 2016
Occupancy	August 2017

Project Budget:

Total Project Cost	\$	22,000,000
Total Project Cost per sq. ft.	\$	433
Direct Construction Cost	\$	16,256,000
Construction Cost per sq. ft.	\$	320

**Change in Annual
Operating/Maintenance Costs:**

Utilities	\$	0
Personnel	\$	0
All Other Operating	\$	0
	\$	0

Funding Sources:

Capital:

• Gifts	\$	0
• System Revenue Bonds	\$	14,000,000
• Auxiliary Funds	\$	8,000,000
	\$	22,000,000

Operation/Maintenance:

• Auxiliary Funds	\$	0
	\$	0

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Capital Project Budget Summary

University: Northern Arizona University

Project: South Dining Renovation

	<u>Capital Development Plan</u>	<u>Project Approval</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction		
B. Renovation	\$ 16,140,000	\$ 16,140,000
C. Fixed Equipment (Owner Furnished)		
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other (Asbestos remediation)	116,000	116,000
F. Inflation and Market Adjustment		
Subtotal Construction Cost	<u>\$ 16,256,000</u>	<u>\$ 16,256,000</u>
3. Fees		
A. Construction Mgr		
B. Architect/Engineer	\$ 1,902,200	\$ 1,902,200
C. Other		
Subtotal Consultant Fees	<u>\$ 1,902,200</u>	<u>\$ 1,902,200</u>
4. FF&E Movable	\$ 925,300	\$ 925,300
5. Contingency, Design Phase	91,400	91,400
6. Contingency, Construction Phase	821,700	821,700
7. Parking Reserve		
8. Telecommunications/Security Equip	675,000	675,000
Subtotal Items 4-8	<u>\$ 2,513,400</u>	<u>\$ 2,513,400</u>
9. Additional University Costs		
A. Surveys, Tests, Inspections, etc.	\$567,000	\$567,000
B. Move-in Costs		
C. Printing Advertisement	9,300	9,300
D. 3rd Party Estimate, Audit	50,000	50,000
E. Project Management Cost (3%)	639,000	639,000
F. State Risk Mgmt Insurance (.0034%)	63,100	63,100
Subtotal Additional University Costs	<u>\$ 1,328,400</u>	<u>\$ 1,328,400</u>
TOTAL CAPITAL COST	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>

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Project Location: South Dining Renovation

