

TOPIC: COMMISSION APPROVAL OF ADDITIONAL CAPITAL PROJECTS USING THE FINANCING INSTRUMENTS IN THE AMERICAN RECOVERY AND REINVESTMENT ACT AND HB09-1346

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I. SUMMARY

This agenda item recommends the Commission approve one cash-funded capital construction project to be financed under the Recovery Zone Economic Development Bond volume cap (RZEDB) and three capital construction projects to be financed under the Recovery Zone Private Facility Bond volume cap (Private Facility Bond). Under HB09-1346, the Commission is tasked with approving and prioritizing higher education capital projects financed under the two volume caps.

The American Recovery and Reinvestment Act (ARRA) provides \$99,018,000 in RZEDB volume cap and \$148,527,000 in Private Facility Bond volume cap. Under the state enabling legislation (HB-09-1346), these caps are to be allocated for Commission-approved projects that are owned by and/or benefit institutions of higher education. At its September 2009 meeting, the Commission approved Commission Policy Section III Part S POLICY REGARDING PRIORITIZATION OF CAPITAL CONSTRUCTION PROJECTS FINANCED WITH RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS AND/OR RECOVERY ZONE FACILITY BONDS. And, at the November meeting, the Commission approved the allocation of volume cap for the first two projects, both at Metropolitan State College of Denver (Metro). Because to date the projects that are ready to take advantage of these opportunities do not exceed the allowable cap allocation, it is not necessary for these projects to be prioritized. Additional projects utilizing the remaining volume cap allocations may be brought to the Commission for approval at a later date.

The following chart summarizes the four projects requesting Commission approval for volume cap allocation.

Institution	Project Name	Program	Program Plan Approvals			Volume Cap Approval	Bonding Volume
			DHE	CDC	JBC	CCHE	
Metropolitan State	Student Success Building	Recovery Zone Economic Development Bond	Yes	Yes	Yes	Yes - Nov CCHE Mtg	\$56,500,000
Metropolitan State	Backfill Project	Recovery Zone Economic Development Bond	Pending	Pending	Pending		\$12,500,000
		Remaining Volume Cap					30,018,000
Metropolitan State	Hotel Learning Center	Recovery Zone Facility Bond	Yes	Yes	Yes	Yes - Nov CCHE Mtg	\$39,327,762
University of Colorado at Denver	Fitzsimons Village Full-Service Hotel and Conference Center	Recovery Zone Facility Bond	NA	NA	NA		\$45,000,000
University of Colorado at Denver	Colorado Science + Technology Park at Fitzsimons, Hyatt Place Hotel	Recovery Zone Facility Bond	NA	NA	NA		\$34,000,000
University of Colorado at Denver	Denver Health and Hospital Authority Pavilion M Project	Recovery Zone Facility Bond	NA	NA	NA		\$29,000,000
		Remaining Volume Cap					1,199,238

Total Volume Cap	
Recovery Zone Economic Development Bond	99,018,000
Recovery Zone Facility Bond	148,527,000

II. BACKGROUND

The state has about \$99 million in REZDBs and \$148.5 million in Private Facility Bonds to allocate. Federal guidance on June 12, 2009 notified the state of this allocation and its initial distribution among counties and large municipalities (populations exceeding 100,000). This distribution was a proportionate allocation to counties and large municipalities based on employment decline between December 2007 and December 2008. Under HB09-1346, counties and large municipalities had until November 11, 2009 to use their allotted volume cap for higher education capital construction projects, projects which must receive Commission approval. On November 11, the unused volume cap reverted to the Commission.

These two financing opportunities differ with respect to the potential benefit to the issuer and the types of project they may fund. REZDBs are *taxable* bonds where the *issuer* receives a direct payment equal to 45 percent of the interest paid during the applicable time period. These are essentially like the Build America Bonds with a greater subsidy to the issuer, ostensibly for the more economically distressed communities. Private Facility Bonds are *tax exempt* bonds for public or privately owned projects that can include public-private partnerships. Like REZDBs, these projects must promote development in an economic recovery zone. This past summer, rates in the tax exempt bond market range from high 4 percent for AAA rated bonds to mid to high 5 percent for A rated bonds.

III. STAFF ANALYSIS

Following are summaries of the four projects recommended for approval. The Project at Metro still requires Department staff approval, and approval from the CDC and the JBC (anticipated in the next month). The three projects benefiting the University of Colorado Denver do not require these approvals because they are being financed by an entity other than the university.

Metropolitan State College of Denver –Backfill Project (Renovation of Existing Facilities)

This project would use Recovery Zone Economic Development Bond volume cap to finance the renovation of existing facilities on the Auraria Campus. With the planned construction of the new Student Success Building in the Metro State Neighborhood of the Auraria Campus and the renovation and expansion of the Science Building on the campus, Metro State has the opportunity to renovate existing space to address their assignable space shortage and to restructure existing facilities to meet Metro's current needs. Primarily, three buildings on the Auraria Campus are included in the backfill project; the Administration Building; the Central Classroom Building; and the West Classroom Building. In addition, renovations will be made to the King Center, the Art Building, and the Tech Building. Overall, 129,200 gross square feet will be renovated through this project.

The following three requests would use Recovery Zone Private Facility Bond volume cap to privately finance projects benefiting the University of Colorado Denver as allowed under HB09-1346.

Fitzsimons Village Full Service Hotel and Conference Center benefiting the University of Colorado Denver

This project would construct a 200 room full service hotel with 20,000 square feet of conference space located immediately across Colfax Avenue southeast of the campus. Benefits of this project to the University include much needed hotel space near campus for visitors to the hospital including those attending conferences and seminars on campus, expanded meeting space for University functions, and positive economic development in a blighted area across the street from campus. Overall the Fitzsimmons Village project will also provide needed residential and retail development that will support the campus.

Colorado Science + Technology Park at Fitzsimons, Hyatt Place Hotel benefiting the University of Colorado Denver

This project would construct a 163 room limited service hotel with 7,500 square feet of meeting space located on Montview Boulevard and Ursula Drive. Benefits of this project to the University include hotel space near campus, positive economic development on campus and the fact that the taxes paid by this hotel will contribute to the overall Tax-Increment Financing on

the Fitzsimmons campus which will fund needed public infrastructure including near term improvements to Montview Boulevard immediately adjacent to the University campus. This street improvement is high on the University's wish list for public infrastructure improvements.

Denver Health and Hospital Authority Pavilion M Project benefiting the University of Colorado Denver

This project would construct a new 78,480 square foot facility located at Denver Health for adolescent psychiatry. The facility will also house an outpatient dialysis function and an outpatient surgery center. Overall the facility would provide expanded opportunities for residents and nurses in training. Currently, Denver Health provides training to 165 medical residents and 300 medical students each year. This facility would enable more medical students and residents to train at Denver Health.

RECOMMENDATION

That the Commission approve the allocation of Recovery Zone Economic Development Bond volume cap for the Backfill Project at Metropolitan State College of Denver and the allocation of Recovery Zone Private Facility Bond volume cap for the Fitzsimmons Village Full Service Hotel and Conference Center, the Colorado Science + Technology Park at Fitzsimmons, Hyatt Place Hotel, and the Denver Health and Hospital Authority Pavilion M Project.

Statutory Citation

C.R.S. 11-59.7-101