

TOPIC: COMMISSION APPROVAL OF 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 one cash-funded capital construction 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 and/or benefit institutions of higher education. At their 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. 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 three projects, all of which have received program plan approvals from the Commission, the Capital Development Committee, and the Joint Budget Committee.

Institution	Project Name	Program	Approvals			Bonding Volume
			CCHE	CDC	JBC	
Metropolitan State	Student Success Building	Recovery Zone Economic Development Bond	Yes	Yes	Yes	\$52,000,151
		Remaining Volume Cap				47,017,849
Metropolitan State	Hotel Learning Center	Recovery Zone Facility Bond	Yes	Yes	Yes	\$39,327,762
		Remaining Volume Cap				109,199,238

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 M in REZDBs and \$148.5 M 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 have 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, any unused cap will revert to the Commission. Because the Department has not been approached with project requests from these counties and large municipalities, it is assumed the full volume caps will be available on November 11.

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.

HB09-1346 and the corresponding Commission policy approved in September 2009 state that any volume cap that the Commission allocates that is not used on bonds or a lease-purchase agreement by December 31, 2009 reverts back to the Commission for reallocation. Both of the projects described below have received the necessary program plan approvals by the Commission, the CDC, and the JBC in early 2009. It is anticipated that Metropolitan State

College of Denver (Metro) is ready to complete the financing of their projects utilizing these financing tools by this deadline.

III. STAFF ANALYSIS

Following are summaries of the two projects recommended for approval.

Metropolitan State College of Denver Student Success Building Project Description:

The Metro State Student Success Building proposed is intended to accommodate services and offices currently spread across the AHEC campus. The divisions include: Enrollment Services, The First Year Success Program, Student Academic Success, Student Support Services, and Academic Advising.

The current facilities have reached their maximum capacity and can no longer provide growth for the Student Services division. There has not been a building added to the Auraria Campus that has benefited the division of Enrollment Services for Metro for over thirty years, but the enrollment has greatly increased in that time. For the past three years, the college has had to improvise to provide enough work space for new and existing employees. To meet the growing needs of the students, faculty and staff need improved space for advising and dealing with confidential issues. Currently student services are also split between floors due to lack of space. By consolidating these functions, this move will improve customer service for students and improve communication between staff.

The facility is planned to be 142,231 gross square feet and 88,895 assignable square feet. The project will be executed on the north end of campus at the corner of Auraria Parkway and 9th Street. This area was outlined in the Auraria Master Plan, updated in 2007, as the Metro neighborhood. This will be the first building on the Auraria campus solely funded by Metro State and programmed for the institution's needs.

Metropolitan State College of Denver Hotel Learning Center Project Description:

The Hotel Learning Center (HLC) is a cash funded project which will construct a new building to house the Department of Hospitality, Tourism, and Events at Metro. The new building will combine a limited-service hotel / conference center with an academic learning center for the Department. The learning center will include general classrooms, kitchen and dining teaching laboratories, faculty offices, a student lounge, and support areas, while the hotel will include guest rooms, conference rooms, kitchen space, break rooms, offices, laundry facilities, and a pool/fitness area. Overall the project represents a joint partnership between the institution and a private hotel management company.

The HLC will provide a comprehensive venue for teaching and learning at the undergraduate level and continuing education of adults and professionals, producing an expanded pool of highly trained, skilled hospitality professionals for the Denver region.

The Department of Hospitality, Tourism and Events has had significant growth between 1998 and 2007, including a 237% increase in student headcount enrollment, and a 68% increase in total credit hours. Four faculty positions were recently added bringing the total number of full-time faculty to eight positions. Enrollments are anticipated to increase by 103 FTE during the next ten years, an increase of 75%. Given a projected student faculty ratio of 20:1, an additional four (f) full-time faculty positions will be needed in the department. The current office suite is at its capacity for faculty offices.

Most importantly, the adjacency of the department headquarters to the hotel is necessary for the experiential learning process. Metro students will work in the hotel when not taking classes. This program provides an opportunity for Metro State and the Hospitality, Tourism and Events department in particular, to increase the awareness of the academic program and to address present and future needs for Denver and the state of Colorado in hotel, conference and tourism industry.

RECOMMENDATION

That the Commission approve the Metropolitan State College of Denver Student Success Building for financing under the Recovery Zone Economic Development Bond volume cap and the Metropolitan State College of Denver Hotel Learning Center for financing under the Recovery Zone Private Facility Bond volume cap.

Statutory Citation

C.R.S. 11-59.7-101