

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

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**I. SUMMARY AND BACKGROUND**

This agenda item recommends the Commission approve the allocation of remaining volume cap under the Recovery Zone Economic Development Bond volume (RZEDB) to the Colorado State University System and revert the remaining Recovery Zone Facility Bond volume cap (Facility Bond) to the Department of Local Affairs so that the state can fully utilize the financing opportunities presented through these two programs. Under the state enabling legislation (HB09-1346), the Commission is tasked with approving and prioritizing higher education capital projects financed under the two volume caps.

**II. BACKGROUND**

The RZEDB and the Facility Bond 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 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. When this program was enacted, rates in the tax exempt bond market ranged from high 4 percent for AAA rated bonds to mid to high 5 percent for A rated bonds.

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 House Bill 09-1346, these caps are to be allocated for Commission-approved projects that are owned by 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. And, at meetings in November and December 2009, the Commission approved the allocation of volume cap for six projects benefiting Metropolitan State College of Denver and the University of Colorado at Denver (specifically, the Anchutz Medical Campus). The Commission has until October 1, 2010 to allocate these volume caps. At that time, any unused volume cap automatically reverts to the Department of Local Affairs for distribution to counties and municipalities.

The following chart summarizes the six projects that have already received 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	Yes - December CCHE Mtg	12,500,000
<b>Remaining Volume Cap</b>							<b>30,018,000</b>
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	Yes - December CCHE Mtg	45,000,000
University of Colorado at Denver	Colorado Science + Technology Park at Fitzsimons, Hyatt Place Hotel	Recovery Zone Facility Bond	NA	NA	NA	Yes - December CCHE Mtg	34,000,000
University of Colorado at Denver	Denver Health and Hospital Authority Pavilion M Project	Recovery Zone Facility Bond	NA	NA	NA	Yes - December CCHE Mtg	29,000,000
<b>Remaining Volume Cap</b>							<b>1,199,238</b>

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

### **III. STAFF ANALYSIS**

#### **Recovery Zone Economic Development Bond Volume Cap**

After allocating REZDB volume cap to the two Metropolitan State College of Denver projects shown above, there remains \$30,018,000 for allocation. The Colorado State University System (CSU System) is preparing to go to market on a major bond issuance this spring. The majority of this issuance will likely be sold as Build America Bonds (another component of the federal stimulus legislation). Unlike the RZEDBs, Build America Bonds do not have any limitations on the amount that can be issued statewide; however, the benefit to the issuer is not as great as the benefit that REZDBs provide.

The following projects total \$88.8 million and are a part of the CSU System's planned major bond issuance, have received full approval by the Commission/Department, the Capital Development Committee, and the Joint Budget Committee (where applicable), and will exceed the remaining volume cap. Staff recommends the remaining allocation of RZEDB Volume Cap

and any unused volume cap previously allocated be allocated to the CSU System for portions of the projects described below, allowing the CSU System to maximize the benefit of the program.

### **Engineering II - \$40 million**

This project will construct a new Engineering Building on the main campus, at the corner of Laurel and Meridian. This project will consist of a three-story, 107,066 gsf building that will add offices, laboratories, classrooms and study areas. The total estimated cost is \$65 million, with 96,773 gsf finished space and 10,293 gsf core and shell. The project will provide:

- 24-hour study area with a three story atrium that will be open to all CSU students, serving the north side of campus in a manner similar to the study area in Microbiology;
- novel studio classrooms for engineering instruction;
- adequate and safe teaching laboratories to support academic programs;
- laboratories and design studios to support design across the engineering curriculum;
- several classrooms to accommodate 50-70 students; and
- a new auditorium to provide additional lecture space as CSU grows.

### **Morgan Library Expansion - \$16.8 million**

This project will construct a two-story addition at the north entrance of the Morgan Library and extensively renovate the first floor. Other floors and the mechanical system will be renovated to a lesser extent. The proposed budget is \$16.8 million. This project will provide:

- additional group study space and more seating;
- 24-hour study and computing space;
- implementation of a learning commons facilities, including digital production studios for students and faculty to create high quality original digital content;
- sustainable lighting redesign in the public areas;
- a redesigned and expanded café space;
- exhibit space and performance space for students;
- noise abatement, specifically on the second and third floors; and
- signage, graphics, paint color and finish schemes to assist user orientation.

### **Braiden Hall/Parmelee Hall 4th floor additions - \$26 million**

The project will construct 4<sup>th</sup> floor additions, limited interior renovations to existing levels 1-3, new residential support spaces and exterior revitalization of both facilities. The project will:

- add approximately 240 beds;
- provide additional housing choices to students;
- enhance living/learning programs;
- improve energy efficiency;
- reduce maintenance and operation costs; and
- make exterior improvements to contribute to a more cohesive architecture.

### **Lory Theater Repairs and Renovations - \$6 million**

The project is a complete renovation of the present interior space of the Lory Student Center (LSC) Theater, which includes over 20,000 gsf on three levels. The proposed budget for the project is \$6 million. The existing LSC Theatre reflects a significant amount of deferred maintenance and is in need of repair, restoration, and compliance. The existing building has had limited improvements since its original completion. Some of the finishes may be salvageable, but many of them are in need of upgrading. Glazing needs upgrading for building efficiency, and carpets and flooring are in need of replacement. Mechanical, electrical, and plumbing systems have exceeded or nearly exceeded their life expectancy. Audiovisual systems and information technology is not compatible with current technology and does not reflect the needs of an improved Theatre. The Theatre is in need of life safety and accessibility code compliance, providing access to all levels.

### **Recovery Zone Facility Bond Volume Cap**

House Bill 09-1346, directs the Commission to allocate this limited volume cap to eligible projects owned by or benefiting institutions of higher education by October 1, 2010. On that date, any unused volume cap reverts to the Department of Local Affairs for allocation to local governments. There is no language in the enabling legislation prohibiting the Commission from reverting remaining cap prior to this date. Department staff surveyed the institutions of higher education and at this time there is no demand for the unallocated \$1,199,238 volume cap. Staff therefore recommends this amount of Recovery Zone Facility Bond Volume Cap be reverted to the Department of Local Affairs so that Colorado can fully benefit from the financing opportunities provided in the American Recovery and Reinvestment Act.

### **IV. RECOMMENDATION**

**That the Commission allocate the remaining Recovery Zone Economic Development Bond volume cap to the CSU System, including any unused volume cap previously allocated. That the Commission revert the remaining \$1,199,238 in Recovery Zone Facility Bond volume cap to the Department of Local Affairs.**

### **Statutory Citation**

C.R.S. 11-59.7-101