

**TOPIC: COMMISSION APPROVAL OF FINAL ALLOCATION OF RECOVERY ZONE FACILITY BOND VOLUME IN THE AMERICAN RECOVERY AND REINVESTMENT ACT AND HB09-1346**

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**I. SUMMARY AND BACKGROUND**

The American Recovery and Reinvestment Act allocated \$148,527,000 in Recovery Zone Facility Bond Volume Cap to the State of Colorado. Under HB09-1346, the Commission was charged to allocate this limited volume cap to eligible projects owned by or benefiting institutions of higher education. Any unused volume cap reverts to the Department of Local Affairs (DOLA) for allocation to local governments. At their regular May 2010 meeting, the Commission approved the reversion of the remaining \$1,199,238 in Recovery Zone Facility Bond Volume Cap to the DOLA. Prior to this action, the Commission had already allocated most of the volume cap to the following four projects:

**Summary of Commission Action**

<b>Institution</b>	<b>Project</b>	<b>Amount</b>	<b>Approval Date</b>
Metropolitan State College of Denver	Hotel Learning Center	39,327,762	Nov-09
University of Colorado at Denver	Fitzsimons Village Full-Service Hotel and Conference Center	45,000,000	Dec-09
University of Colorado at Denver	Colorado Science + Technology Park at Fitzsimons, Hyatt Place Hotel	34,000,000	Dec-09
University of Colorado at Denver	Denver Health and Hospital Authority Pavilion M Project	29,000,000	Dec-09
<b>TOTAL</b>		<b>147,327,762</b>	
Original Allocation		148,527,000	
Remainder Allocated to DOLA		1,199,238	May-10

## **II. STAFF ANALYSIS**

In mid-August, Department staff followed up with the institutions on the status of projects that had received volume cap allocations. Representatives from the CU System informed the Department that the developers for the two hotel projects benefiting the University of Colorado Denver Anschutz Medical Campus were unable to secure the other components necessary to finance these projects. Therefore, \$79,000,000 (\$45,000,000 + \$34,000,000) in Facility Bond volume cap has reverted back to the Commission. Upon learning that this amount of volume cap was reverting back to the Commission for possible reallocation, Department staff surveyed the institutions to determine if there was interest in using the cap for specific projects. Metropolitan State College of Denver (Metro State) requested additional volume cap for their Hotel Learning Center project.

In 2009, Metro State requested and received Recovery Zone Economic Development and Recovery Zone Facility volume cap allocations for three approved projects. In November 2009, Metro State went to market for the first of its bond issuances for the \$55,000,000 Student Success Building construction project. In June 2010, Metro State went to market for the \$10,500,000 Backfill renovation project. The institution anticipates going to market in the next month for the final project, the Hotel/Hospitality Learning Center.

The project has taken slightly longer to prepare for financing due to its unique and complicated structure. The partnership has required that Metro State staff and counsel work to create a legal entity that can function as a private venture while ensuring that the college's assets are protected and that the Department of Hospitality, Tourism, and Events has a venue that allows it to continue to deliver quality education to our students. At the August 17th Metro State Special Board of Trustees meeting, the Board authorized the creation of the legal entity to manage this partnership. At the September 1st Board of Trustees meeting, the Board approved the project to continue to move forward and authorized staff to proceed to obtain financing.

Since the original allocation from the Commission of \$39,327,762 of Recovery Zone Facility Bond volume cap for the Hotel Learning Center project, Metro State has determined the construction cost of the project will be \$45 million. This adjustment was approved by the Capital Development Committee in April 2010. Additionally, the financing requires a \$3.5 million Debt Service Reserve Fund, \$5.5 million for Capitalized Interest during the construction, and approximately \$1.1 million in issuance expenses. Finally, financial and legal advisors have recommended that Metro State allow for a \$3 million contingency in case of bond market volatility, which could impact the amount of funding needed in the reserve and for Capitalized Interest. Due to the increased construction and financing costs, Metro State is requesting allocation of an additional \$18,672,238 in Recovery Zone Facility Bond volume cap for the Hotel Learning Center project.

Now that they have received full approval from their board and the legal entity is in place to allow this project to commence, Metro State is quickly moving forward to complete the financing of this project. If they are unable to complete the financing by October 1<sup>st</sup>, 2010, the

allocation of volume cap will revert back to the Department of Local Affairs under the provisions of HB09-1346. After reversion, Metro State would then need to apply through DOLA for the allocation of volume cap.

**III. RECOMMENDATION**

**That the Commission allocate \$18,672,238 in remaining Recovery Zone Facility Bond volume cap to the Metropolitan State College of Denver and revert \$60,327,762 in Recovery Zone Facility Bond volume cap to the Department of Local Affairs.**

**IV. STATUTORY AUTHORITY**

C.R.S. 11-59.7-101