

FY 2017
Capital Development Plan
Northern Arizona University

Revised April 2017

EXECUTIVE SUMMARY

Item Name: FY 2017 Revised Capital Development Plan (NAU)

- Action Item
- Committee Recommendation to Full Board
- First Read of Proposed Policy Change
- Information or Discussion Item

Issue: Northern Arizona University asks board approval of its FY 2017 Revised Capital Development Plan (CDP), which includes one new project, a privatized residence hall with academic and core student support space for the Honors Community. The CDP financial impact totals \$9.9 million.

Previous Board Action

- x FY 2018 ±2020 Capital Improvement Plan September 2016
- x FY 2017 Capital Development Plan June 2016

Enterprise or University Strategic Plan

- Empower Student Success and Learning
- Advance Educational Attainment within Arizona
- Create New Knowledge
- Impact Arizona
- Compliance
- Real property purchase/sale/lease
- Other:

Statutory/Policy Requirements

- x Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual Capital Development Plan for the upcoming fiscal year in accordance with the calendar approved by the President of the Board. The CDP may also be considered for revisions and include the addition of new projects, project budget adjustments, and deletion of projects.
- x Capital Development Plans are reviewed by the Business and Finance Committee and approved by the Board.

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- x Approval of the CDP allows universities to complete design and planning in preparation for submitting individual projects for final approval by the Business and Finance Committee, with a final report to the full Board.

Project Justification/Description/Scope

- x NAU outlined plans for this project in the Capital Improvement Plan (CIP) and began presenting information at the September ABOR meeting as part of the Operational and Financial Review. This revision to the CDP moves the timeline of the project up into this fiscal year to target having the project open for the 2018-19 academic year.
- x ~~1 R U W K H U Q \$ U L J R Q D 8 Q R E V I S E D C D P I N C L U D E S~~ This new project for a third-party privatized residence hall with academic and core student support space for the Honors College Community. This project will have a negotiated ground lease between American Campus Communities (ACC) and Northern Arizona University in which ACC will construct the Honors Community. NAU will seek project approval and approval to enter into a ground lease in a separate Board Action Item, as well as seek favorable JCCR

Business and Finance Committee Meeting
April 5

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EXHIBIT 1

Project Summary

Project	Board Approval
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

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EXHIBIT 2

Annual Debt Service and Operation and Maintenance Costs
 By Funding Source

Project	Amount Financed	301	TUI *	AUX *	ICR	OLF	SLP	FGT	DFG	OTH	TOTAL ANNUAL DEBT SERVICE
New Academic/Support Projects											
No new projects											
Academic/Support Projects Total	\$ -	\$ -	\$ -	\$ -	-						\$ -
New Third Party Projects											
Honors Community	\$ 9,902,000		\$ 893,000								\$ 893,000
Third Party Projects Total	\$ 9,902,000	\$ -	\$ 893,000		-		\$ -				

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through student programming opportunities. Student success and retention rates improve significantly when students reside on campus, particularly among first-time freshmen. Purposeful student programming and the relationship development that occurs through having staff living in and interacting directly with students has been proven to increase student satisfaction, involvement and retention across the nation.

- x Demand for on-campus, University managed housing, continues to grow. This academic year NAU stopped accepting housing applications in May 2016 and opened the Fall 2016 semester with over 100 students in temporary housing.
- x The NAU Flagstaff campus currently contains 7,548 (excluding family housing) NAU-owned housing units (available beds) that are in aging facilities. A large portion of the existing inventory, approximately 5,275 beds, is reserved for first-year students. Remaining inventory is reserved for sophomores wishing to remain on campus. Beginning in Fall 2016 for the 2016-2017 academic year, the private residence halls were first reserved and leased to continuing students, juniors and seniors, wishing to remain on campus.
- x Through its agreement with NAU, ACC will construct new suite style Honors housing on the Flagstaff campus. The project is proposed to be 630 beds and serve first-year Honors students.
- x In addition, approximately 22,294 square feet will be constructed within the facility to serve core student support and academic needs of the Honors College. This space will consist of classrooms, study spaces, academic learning spaces and Honors faculty and administrative offices.
- x The project will be constructed to standards comparable to the most recent NAU residence halls, and will be maintained throughout the lease term in

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- x There will be no legal recourse to NAU in the event of a default by ACC on any financing and, except for the obligations noted above, the University has no obligation to support the facilities financially or to guarantee occupancy.
- x The University will sublease the Honors Academic space including classrooms and core student support space through a long-term lease agreement. The University intends to issue system revenue bonds prior to June 2018 to finance this \$9.9 million project reimbursement. Debt service will be paid from tuition and program fee revenue.

7. Fiscal Impact and Financing Plan:

- x Operating Expenses ±ACC is responsible for all costs and expenses of maintaining the residence portions of the project, including reasonable reserve deposits. NAU is responsible for maintaining the academic and core student support space. Minimum Standards of Operation (both PDLQWHQDQFH DQG VWDIILQJ DUH GHILQHG DV HT student housing.
- x Master Lease Agreement (Ground Lease) ± The project is to be administered by a Ground Lease Agreement between the University and ACC. The Ground Lease is for a period of 40 years with four 10-year options to renew.
- x Lease Payments ±NAU will receive rental payments in the form of annual base rent (i.e. Ground Rent) plus out performance rent should the project yield revenue in excess of the required return threshold.
- x Master Sublease ±NAU enter into a Master Sublease to manage and provide the residential life programming and staffing for the residential space as well as enforce the NAU student code of conduct and refer violators to the NAU student judicial system at a level consistent with other on-campus freshman housing. ACC will employ a site manager and maintenance staff. ACC and NAU will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operation have

9. Project location map:

