

EXECUTIVE SUMMARY

Item Name: Arizona State University Capital Development Plan

Action Item

Requested Action: Arizona State University asks the board to approve its \$83.5 million Capital Development Plan (CDP), which includes two new projects, as described in this executive summary.

Previous Board Action

- FY 2022 – 2024 Capital Improvement Plan October 2020
- ASU at Mesa City Center Tenant Improvements
 - Bateman Physical Sciences Center Improvements

Prior Year Activity

Five capital projects totaling \$160.55 million and one third-party project were substantially completed in the last twelve months.

Fifteen capital projects totaling \$686.6 million and one third-party project began or continued construction activity in the last twelve months.

Details on completed and ongoing capital projects are listed in Exhibit 1.

Overview and Alignment with Enterprise and University Goals and Objectives

This ASU CDP includes two new projects totaling \$83.5 million.

ASU has developed this CDP to align with the university's campus master plan and the enterprise and university strategic goals and objectives.

The primary institutional priorities supported by this CDP include:

Academic Success: The proposed projects will contribute to advancing the university's twin pillars of academic success -- leadership in academic excellence and accessibility and establishing national standing in academic quality. These projects will provide essential support to achieving these goals and metrics by 2025:

- Increase total student enrollment to 125,000

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- Improve the freshman retention rate to 90 percent
- Increase the six-year graduation rate to 75 percent
- Increase the number of bachelor's degrees awarded to 21,430 and graduate degrees to 10,670.

Research and Development: The proposed projects will support the university's research goals, including the enhancement of its research competitiveness to more than \$815 million in annual research expenditures by 2025. University research expenditures are used in part to advance the state of knowledge in various fields; purchase local goods and services; help create new companies and jobs; support the development of next-generation scientists and innovators; and attract top research talent to the faculty. Research and development expenditures also support the state's competitive advantage in the fields of science, technology and medicine.

Student Support and Engagement: The proposed projects will support the advancement of the university's mission to enhance student development and learning to national leadership levels. These projects will foster student engagement in programs, events and activities that will enhance their learning and personal development by connecting them with their campus and community, building leadership skills, and preparing them for academic, personal and career success.

Campus Operations and Infrastructure Priorities: To advance the university's academic and research goals, its facilities and related infrastructure must be maintained in a safe and reliable operational condition. Buildings and utility systems also must be cost-effective to maximize the use of the university's operational funds over time.

Life Safety and Code Compliance: Life safety and code compliance issues must be resolved promptly and assume the highest priority in ensuring the safety and security of students, faculty, staff and visitors, as well as supporting the achievement of the university's academic and research goals.

Community Service: Serving Arizona communities is an integral aspect of the university's mission and its programs. Enhancing and expanding the university's local impact and social embeddedness is vital to improving the quality of life and economic prosperity in Arizona.

Capital Infrastructure Fund: The Bateman Physical Sciences Center Improvements

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Capital Development Plan Projects

Following are the new projects proposed for CDP approval:
ASU at Mesa City Center Tenant Improvements
Bateman Physical Sciences Center Improvements.

Additional details on project costs, financing and scope are included in the tables in Exhibits 2 and 3 and the attached individual Project Justification Reports.

Fiscal Impact and Management

This ASU CDP, if fully implemented, will cost a total of \$83.5 million.

Of the total amount, \$60.0 million will be debt-financed with system revenue bonds. The university will internally fund \$23.5 million in capital costs with tuition and amortize the cost over an approximately twenty-year term.

The incremental total annual operating and maintenance (O&M) cost associated with the new projects in this CDP is estimated to be \$1,239,495. ASU plans to use tuition revenues to pay the O&M costs.

ASU will:

- (a) sell one or more series of System Revenue Bonds to finance the project, as identified in Exhibit 2, costs of issuance, and payments to a bond insurer or other credit enhancer, provided such payments result in a benefit that exceeds the amount of such payments;
- (b) sell bonds at a price at, above or below par, on a tax-exempt or taxable basis, in one or more series, at a fixed or variable rate of interest;
- (c) enter into necessary agreements, including those related to bond insurance or other credit enhancement agreements; and
- (d) utilize a financial advisor, bond counsel and bond trustee for the financing. The system revenue bonds will be marketed and sold on a negotiated basis, either to one or more investment banking firms currently in a pool of bond underwriters procured by the three state universities or by the State of Arizona.

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and debt ratio impact.

Committee Review and Recommendation

The Finance, Capital and Resources Committee reviewed this item at its January 28, 2021 meeting and recommended forwarding to the full board for approval.

Statutory and Policy Requirements

Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual Capital Development Plan for the upcoming year in accordance with the calendar approved by the executive director of the board.

CDPs are reviewed by the Finance, Capital and Resources Committee and are approved by the board.

Approval of the CDP allows the university to complete design and planning, execute construction and financing agreements, and begin construction as outlined in policy.

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Exhibit 3



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**Exhibit 4
 Debt Capacity Update**

PURPOSE

To demonstrate Arizona State University's ability to finance additional capital investment through debt instruments and to fund the related debt service (principal and interest).

PROJECTED DEBT CAPACITY

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Based upon the projects included in this CDP and the first year of the CIP, the maximum projected debt ratio is 4.9 percent in FY 2022. Outstanding debt in FY 2022 is projected to be \$2.13 billion, with total annual debt service of \$157.8 million. The 4.9 percent ratio is within the range used by credit rating firms to confirm an institution's creditworthiness and is below the 8 percent statutory maximum.

Currently outstanding (issued) debt declines from \$1.8 billion in FY 2021 to \$1.1 billion in FY 2029 as debt is retired. Planned debt includes future financings of projects presented in this annual CDP and those included in the first year of the 2022-2024 CIP. Additional debt capacity represents debt that can be issued in any given year based on the statutory 8 percent debt ratio maximum.

FUTURE PROJECTS

Future debt-financed projects include those in this annual CDP, and those included in the first year of the FY 2022-2024 CIP. These projects are included in the future debt capacity assumptions.

			Project Budget	Remaining Amount to be Financed
Bateman Physical Sciences Center Improvements			\$ 60,000,000	\$ 60,000,000
Buildings and Modifications	20,000,000	20,000,000	Building and Infrastructure Enhancements	
Classroom Renovations	15,000,000	15,000,000	Classroom and Academic Renovations	
Classroom Renovation	65,000,000	30,000,000	Durham Language and Literature Building	
Classroom Renovation	16,000,000	16,000,000	Information Technology (IT) Infrastructure	
Classroom Renovation	38,000,000	38,000,000	Mill Avenue Parking Structure	
	115,000,000		Multipurpose Arena	115,000,000
	20,000,000		Research Laboratories and Faculty Startup	20,000,000
	37,000,000		Thunderbird School of Global Management	67,000,000
	13,600,000	13,600,000	University Drive Pedestrian Bridge	
	\$ 621,600,000	\$ 431,600,000		

CREDIT RATINGS

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Positive rating factors cited by the credit rating agencies include ASU's ongoing growth and increasing brand recognition

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**Exhibit A
Arizona State University
Downtown Mesa Site Location Map**

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**Exhibit B
Arizona State University
Tempe Campus Site Location Map**

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Capital Project Information Summary

University: Arizona State University **Project Name:** ASU at Mesa City Center
Tenant Improvements

Project Description and Location: ASU has entered into a collaboration with the City of Mesa in which the city is building a facility to the university's specifications for its Digital and Sensory Technology, Film and Media Arts, User Experience Design and Entrepreneurial Support programs. This project consists of the furniture, fixtures and equipment for the facility, as well as the infrastructure required to support these programs. The facility will be located on the northwest corner of Centennial Way and Pepper Place in downtown Mesa, as depicted on Exhibit C.

Project Schedule:

Planning	January	2018
Design Start	August	2019
Construction	April	2021
Construction Completion	April	2022

Project Budget:

Total Project Cost	\$	23,500,000
Total Project Construction Cost	\$	0
Total Project Cost per GSF	\$	199
Construction Cost per GSF	\$	0

Change in Annual O and M Cost:

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Capital Project Budget Summary

University: Arizona State University

Project: ASU at Mesa City Center Tenant Improvements

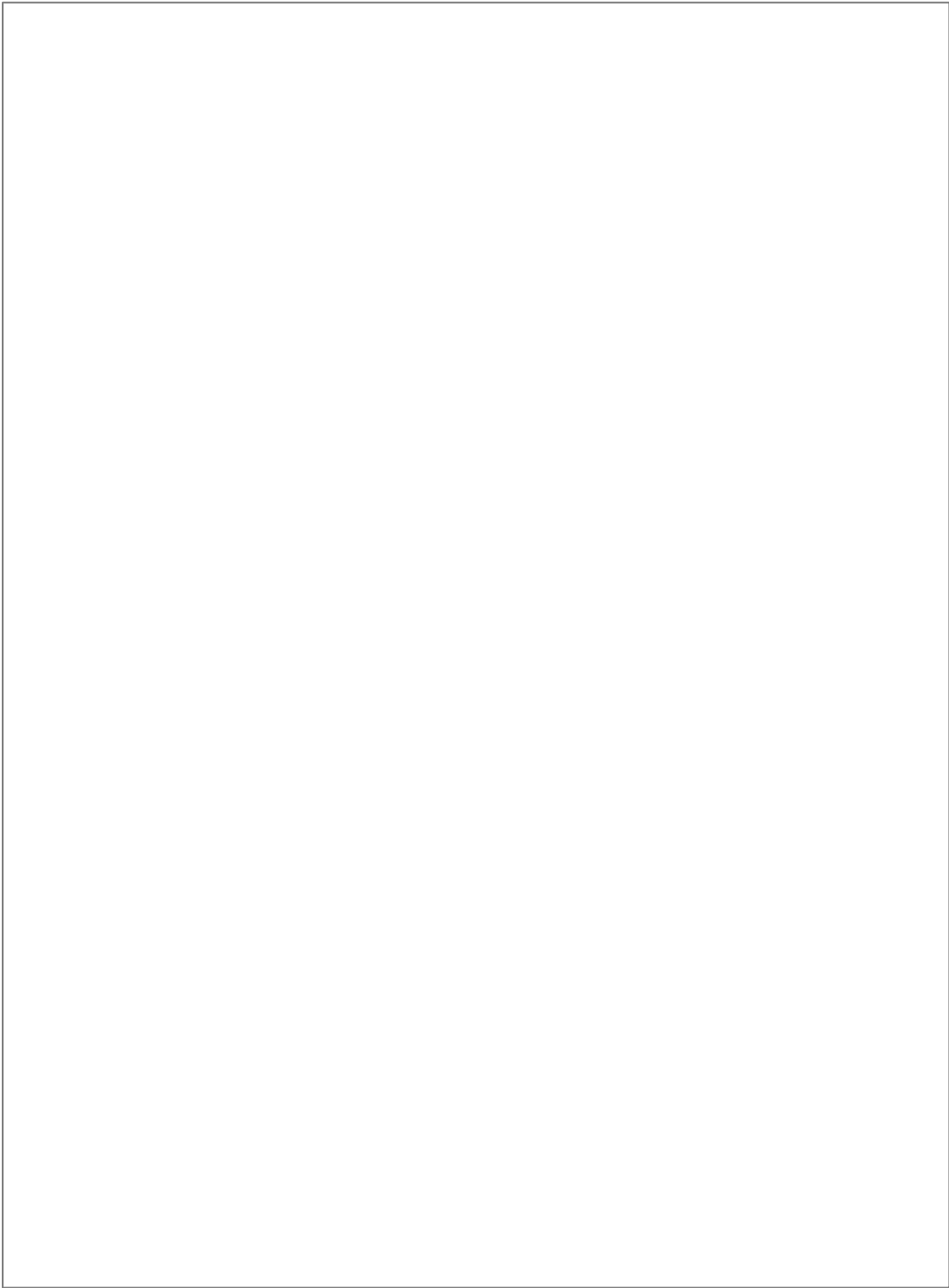
	<u>Capital Development Plan</u>
Capital Costs	
1. Land Acquisition	
2. Construction Cost	
A. New Construction	
B. Tenant Improvement	\$ 14,029,636
C. Special Fixed Equipment	2,617,000
D. Site Development (excl. 2.E.)	-
E. Parking and Landscaping	100,000
F. Utilities Extensions	-
G. Other* (Demolition/abatement)	-
Subtotal Construction Cost	<u>\$ 16,746,636</u>
3. Fees	
A. CMAR Pre-Construction	\$ 477,294
B. Architect/Engineer	550,000
C. Other	-
Subtotal Consultant Fees	<u>\$ 1,027,294</u>
4. FF&E Movable	\$ 1,600,000
5. Contingency, Design Phase	50,000
6. Contingency, Constr. Phase	629,468
7. Parking Reserve	-
8. Telecommunications Equipment	2,501,750
Subtotal Items 4-8	<u>\$ 4,781,218</u>
9. Additional University Costs	
A. Surveys, Tests, Haz. Mat. Abatement	\$ 100,000
B. Move-in Costs	20,000
C. Printing Advertisement	-
D. Keying, signage, facilities support	125,000
E. Project Management Cost	620,535
F. State Risk Mgt. Ins. (.0034 **)	79,317
Subtotal Addl. Univ. Costs	<u>\$ 944,852</u>
Total Capital Cost	<u><u>\$ 23,500,000</u></u>

* Universities shall identify items included in this category.

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

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Exhibit C
ASU at Mesa City Center Tenant Improvements
Site Location Map



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Additionally, a new roofing system will be installed and minor exterior envelope improvements are planned, including window replacements to improve the weather tightness of the building envelope, added insulation to increase the energy efficiency of the building, as well as masonry repairs. The existing building systems, including mechanical, plumbing and electrical, are beyond their useful life and will be replaced with new, energy-efficient systems. Life safety and accessibility improvements also are planned, including fire sprinkler and alarm updates and the addition of code-compliant stair towers at the east and west ends of the D wing.

This project will enhance the quality of the built environment, maintain compliance with current building and life safety codes and Americans with Disabilities Act requirements, reduce energy consumption and deferred maintenance, and expand and enhance the use of technology to enable student success.

The improvements to the D and E wings in this multifunctional complex will support the following priorities by 2025:

- Become the leading American center for discovery and scholarship in the comprehensive arts and sciences

- Enhance research competitiveness to more than \$815 million in annual research expenditures

- Transform regional economic competitiveness through research and discovery and value-added programs.

Project Delivery Method and Process

This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This method was selected to facilitate contractor design input and coordination throughout the project, alleviate a potentially adversarial project environment and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase and pre-qualified, low-bid subcontractor work for the actual construction, CMAR project delivery also provides a high level of cost and quality control.

ASU has selected BWS Architects as the Design Professional (DP) for this project and CORE Construction as the CMAR. The selection process for the DP included thirteen responses and three firms were interviewed. The CMAR selection process included seven submittal responses and three contractors were interviewed.

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Project Status and Schedule

Construction is scheduled to begin when the project design is complete and after all approvals are in place. Project construction is scheduled to begin in May 2021 and substantial completion is targeted for May 2023.

Project Cost

The budget for this approximately 90,400 gross-square-foot project is \$60.0 million. The budget represents an estimated construction cost of \$531 per gross square foot. The estimated total project cost is \$664 per gross square foot.

The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

Fiscal Impact and Financing Plan

The \$60.0 million project will be debt-financed with system revenue bonds. The debt service for \$51.0 million of the bonds will be funded by the St01 Tc 0.2of the bondsn6(x)7 ((te)t)-3

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University: Arizona State University
Project: Bateman Physical Sciences Center Improvements

**Capital
Development Plan**

Capital Costs

1. Land Acquisition	
2. Construction Cost	
A. New Construction	
B. Tenant Improvement	\$ 47,250,000
C. Special Fixed Equipment	-
D. Site Development (excl. 2.E.)	-
E. Parking and Landscaping	-
F. Utilities Extensions	-
G. Other* (Abatement)	750,000
Subtotal Construction Cost	\$ 48,000,000
3. Fees	
A. CMAR Pre-Construction	\$ 609,000

