

Sen. Randy Baumgardner, Chair
 Sen. John Kefalas
 Sen. Jerry Sonnenberg

Rep. Edward Vigil, Vice-Chair
 Rep. KC Becker
 Rep. J. Paul Brown



Capital Development Committee
 State Capitol Building, Room 029
 Denver, Colorado 80203-1784
 (303) 866-3521



February 11, 2016

Representative Millie Hamner
 Chair, Joint Budget Committee
 200 East 14th Avenue, Third Floor
 Denver, Colorado 80203

Dear Representative Hamner:

On February 11, 2016, the Capital Development Committee (CDC) considered two higher education capital construction projects which require additional review because the projects will be financed in part using the Higher Education Revenue Bond Intercept Program (intercept program). In addition, both projects have a state-funded component, which follows the state-funded capital construction prioritization process. Descriptions of the requests are attached. Table 1 summarizes the requests. *The CDC approved the projects for participation in the intercept program and forwards them to the Joint Budget Committee for consideration.*

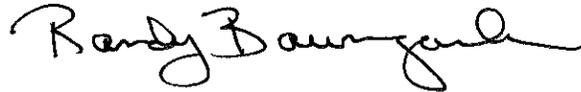
Table 1
Capital Development Committee Recommendation
Regarding Higher Education Projects Subject to Intercept Program

Institution	Project Title	Summary of Request	Amount
University of Northern Colorado	Campus Commons	The two-phase project expands the Campus Commons through the construction of a 114,220-GSF addition to the south of the existing Campus Commons building. This year's request for Phase II constructs a three-story structure to house academic services and other university functions. Phase I constructs large event spaces and the main building lobby.	Up to \$35,533,668 CF
Metropolitan State University of Denver	Aerospace Engineering Sciences Building	The three-phase project constructs a 118,000-GSF facility to support the development of an Aviation, Aerospace, and Advanced Manufacturing degree program. This year's request for Phase III finishes construction and equips the building. According to the university, it is already an industry leader in providing advanced-manufacturing graduates to local corporations, particularly to Colorado's aerospace industry.	Up to \$40,000,000 CF
Total			\$75,533,668 CF

Representative Millie Hamner
February 11, 2016
Page two

If you have any questions or concerns about the CDC's recommendations, please call Kori Donaldson, Legislative Council Staff, at 303-866-4976.

Sincerely,

A handwritten signature in black ink that reads "Randy Baumgardner". The signature is written in a cursive, flowing style.

Senator Randy Baumgardner
Chair, Capital Development Committee

- c: Capital Development Committee Members
- Joint Budget Committee Members
- Kirk Leichliter, University of Northern Colorado
- Sean Nesbitt, Metropolitan State University of Denver
- Erick Scheminske, Office of State Planning and Budgeting
- Nate Pearson, Office of State Planning and Budgeting
- Alexis Senger, Office of State Planning and Budgeting
- Andrew Rauch, Department of Higher Education
- John Ziegler, Joint Budget Committee Director
- Alfredo Kemm, Joint Budget Committee Staff
- Amanda Bickel, Joint Budget Committee Staff
- Kori Donaldson, Capital Development Committee Staff

Fiscal Year 2016-17 Capital Construction Request

University of Northern Colorado *Campus Commons*

PROGRAM PLAN STATUS

2016-047

Approved Program Plan? Date Approved:

PRIORITY NUMBERS

Prioritized By	Priority	
Dept/Inst	1 of 1	
CCHE	4 of 31	
OSP/B	7 of 46	Recommended for funding.

PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2016-17	FY 2017-18	Future Requests	Total Cost
CCF	\$23,000,000	\$15,000,000	\$0	\$0	\$38,000,000
CF	\$21,030,739	\$14,502,929	\$0	\$0	\$35,533,668
Total	\$44,030,739	\$29,502,929	\$0	\$0	\$73,533,668

ITEMIZED COST INFORMATION

Cost Item	Prior Approp.	FY 2016-17	FY 2017-18	Future Requests	Total Cost
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$4,960,127	\$3,269,744	\$0	\$0	\$8,229,871
Construction	\$35,136,208	\$24,394,786	\$0	\$0	\$59,530,994
Equipment	\$1,644,292	\$289,573	\$0	\$0	\$1,933,865
Miscellaneous	\$193,411	\$143,925	\$0	\$0	\$337,336
Contingency	\$2,096,701	\$1,404,901	\$0	\$0	\$3,501,602
Software Acquisition	\$0	\$0	\$0	\$0	\$0
Total	\$44,030,739	\$29,502,929	\$0	\$0	\$73,533,668

PROJECT STATUS

This is a continuation request. The first phase of the project received funding for FY 2015-16. The university has selected an architect and contractor.

PROJECT DESCRIPTION / SCOPE OF WORK

The University of Northern Colorado (UNC) is requesting state funds for the second phase of a two-phase project to expand the Campus Commons. The project constructs a 114,220-GSF addition to the south of the existing Campus Commons building. This year's request for Phase II constructs a three-story structure to house academic services and other university functions. Phase I constructs large event spaces and the main building lobby. The proposal is the result of strategic planning efforts involving faculty, staff, and students. Specifically, the project constructs space to house the following offices and functions:

- academic case management office;
- community and civic engagement office;
- Center for International Education;

Fiscal Year 2016-17 Capital Construction Request

University of Northern Colorado *Campus Commons*

- new student orientation;
- career services;
- alumni relations;
- ticketing;
- admissions – tours;
- galleries;
- meeting spaces for groups of 30 to 70 people;
- performance hall (seats 600 and includes storage, lighting, and recording space);
- auditorium (seats 400);
- café (serves students and attendees of various performances and shows) and catering;
- one-stop student services area; and
- commons.

Cost assumptions. The cost assumption was determined through the program planning process. The cost per GSF is \$644. The project includes inflation costs. It meets the Art in Public Places and High Performance Certification Program requirements.

PROJECT JUSTIFICATION

The university says expanding the Campus Commons will allow it to create a central point of connectivity for students and the community by uniting the west and central portions of campus and creating a clear gateway to the campus. Additionally, the creation of a one-stop student services area will allow it to integrate student service functions in a single location thus improving the ability to effectively and efficiently provide these services. UNC anticipates the project will lead to increased student enrollment and graduation rates. The project also addresses a deficit of space for the performing and visual arts programs.

UNC explains that many vital functions, such as admissions and career services, are decentralized and dispersed throughout campus. Other offices operate in poorly situated spaces. There is limited instruction, rehearsal, and performance space for students in performance and visual arts classes. The largest campus auditorium with tiered seating only seats 254 and UNC says campus staff cannot meet the current demand for bookings. Also, the available performance spaces have poor acoustics, inadequate recording ability, and limited storage and lighting. The on-campus galleries are difficult for the public to access and are also limited in size.

In addition to providing much-needed performance and display spaces and collocating university functions, the new campus commons will provide students studying nutrition, hospitality, tourism, and business with the opportunity to gain hands-on experience in the management and operation of the café and catering services. Finally, the new Campus Commons will allow the university to strengthen its outreach, in part through the creation of dedicated space for the Office of Community and Civic Engagement.

PROGRAM INFORMATION

UNC offers more than 200 undergraduate, graduate, extended campus, and online programs. The average class size ranges from 25 to 35 students and the university has a 17:1 student-to-faculty ratio.

Fiscal Year 2016-17 Capital Construction Request

University of Northern Colorado Campus Commons

PROJECT SCHEDULE

	Start Date	Completion Date
Design	September 2015	October 2016
Construction	August 2016	January 2018
Equipment		January 2018
Occupancy		January 2018

HIGH PERFORMANCE CERTIFICATION PROGRAM

The university is dedicating \$1,213,556 million, or 2.0 percent, of the project's construction costs to meeting LEED certification standards. The university plans to build the facility to the LEED gold standard, the second highest of four possible certification levels.

SOURCE OF CASH FUNDS

The source of cash funds is donations (\$12.0 million) and bonds (\$23.6 million) to be repaid from an existing student fee. As of early October, the university had secured \$2.1 million in donations and additional donations have been solicited and potential donors identified for the remaining amount.

The existing capital fee is \$450 per student per academic year – of which approximately \$160 would be used to cover debt service on \$24 million of new debt associated with the project. UNC's capital fee is an ongoing fee to support deferred maintenance, small capital repair and renovation, and debt service. The total amount of the capital fee is an annual board-approved budget decision.

The university plans to issue bonds under the Higher Education Revenue Bond Intercept Program.

Intercept program requirements pursuant to Section 23-5-139 (1)(b)(I), C.R.S. Based on the information provided by the State Treasurer's Office, staff has determined that the UNC governing board meets the requirements to participate in the intercept program, as follows:

- 1.) **Credit rating:** UNC has a credit rating of A from Moody's. This credit rating — from a nationally recognized statistical rating organization — is in one of the three highest categories.
- 2.) **Debt service coverage ratio:** The debt service coverage ratio is about 2.2 percent (net revenue available for annual debt service/total amount of debt service subject to intercept program, including new debt proposed under program).

OPERATING BUDGET

Operating costs are paid from institutional sources. UNC anticipates a \$1.1 million increase in operating costs during the first year of operation as a result of the project.

STAFF QUESTIONS AND ISSUES

All responses to staff questions were incorporated into the project write-up.

Fiscal Year 2016-17 Capital Construction Request

Metropolitan State University of Denver *Aerospace Engineering Sciences Building*

PROGRAM PLAN STATUS

2015-010

Approved Program Plan? Yes No Date Approved:

PRIORITY NUMBERS

Prioritized By	Priority	
DeptInst	1 of 1	
CCHE	2 of 31	
OSPB	6 of 46	Recommended for funding.

PRIOR APPROPRIATION AND REQUEST INFORMATION

Fund Source	Prior Approp.	FY 2016-17	FY 2017-18	Future Requests	Total Cost
CCF	\$20,000,000	\$0	\$0	\$0	\$20,000,000
CF	\$16,404,160	\$23,595,840	\$0	\$0	\$40,000,000
Total	\$36,404,160	\$23,595,840	\$0	\$0	\$60,000,000

ITEMIZED COST INFORMATION

Cost Item	Prior Approp.	FY 2016-17	FY 2017-18	Future Requests	Total Cost
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	\$3,759,000	\$2,687,442	\$0	\$0	\$6,446,442
Construction	\$30,093,037	\$18,116,963	\$0	\$0	\$48,210,000
Equipment	\$0	\$2,421,435	\$0	\$0	\$2,421,435
Miscellaneous	\$141,623	\$370,000	\$0	\$0	\$511,623
Contingency	\$2,410,500	\$0	\$0	\$0	\$2,410,500
Software Acquisition	\$0	\$0	\$0	\$0	\$0
Total	\$36,404,160	\$23,595,840	\$0	\$0	\$60,000,000

PROJECT STATUS

This is a continuation request. The university is requesting cash funds spending authority for the final phase of the project.

PROJECT DESCRIPTION / SCOPE OF WORK

Metropolitan State University of Denver (MSU Denver) is requesting cash funds spending authority for the final phase of a three-phase state-funded project to construct a 118,000-GSF facility to support the development of an advanced manufacturing degree program through the creation of interdisciplinary learning space. This year's request for Phase III finishes construction and equips the building. Phase I designed the project and began code review. Phase II finished code review, prepared the site, and began construction.

The project will allow the university to integrate the study of advanced-manufacturing disciplines such as aerospace science and aviation, including industrial design and engineering technology, into a single, new building in order to:

- foster collaborative research;

Fiscal Year 2016-17 Capital Construction Request

Metropolitan State University of Denver

Aerospace Engineering Sciences Building

- create an integrated space for multiple programs with advanced technology and labs;
- support an integrated curriculum; and
- create deeper industry ties.

The new building will house four existing departments, including: (1) aerospace science; (2) industrial design; (3) computer science; and (4) engineering technology. It will also support the development of a new department: advanced manufacturing, which will allow for the development of the advanced manufacturing degree program, with an emphasis on aviation and aerospace. The new program was developed through a collaborative process involving facility staff and the deans of various departments. To date, this group has met with industry stakeholders to begin developing a curriculum for the new program and to discuss potential public-private partnerships. It has also visited similar facilities in order to better understand industry expectations for graduates of science, technology, engineering, and math (STEM) programs.

The new facility will be constructed adjacent to the MSU Denver Student Success Building on the Auraria Higher Education Center (AHEC) campus. Once the new facility is open, space in existing campus facilities will be vacated for use by other MSU Denver departments or the other AHEC constituent institutions.

Cost assumptions. The cost assumption was determined through the program planning process. It was revised based on information collected during the design phase. The overall size of the building was reduced between the Phase II and Phase III request, and — in order to accommodate anticipated future growth — certain functions originally planned for the building, including physics and aviation, are no longer planned for the building. The cost per GSF is \$508. The project includes inflation costs. It meets the Art in Public Places and High Performance Certification Program requirements.

PROJECT JUSTIFICATION

According to MSU Denver, it is already an industry leader in providing advanced-manufacturing graduates to local corporations, particularly to Colorado's aerospace industry. The university says the creation of a new aviation, aerospace, and advanced Manufacturing degree program will lead to opportunities for federal funding. Additionally, the university says opening the new facility will positively impact Colorado's economy because it will lead to new job creation in STEM fields.

All five departments impacted by the request have illustrated a need for additional classroom and lab space, says MSU Denver. The programs each have specialized labs and equipment. Sharing a facility will allow the university to avoid the expensive duplication of creating specialized lab facilities for each department. The university says it has identified opportunities for shared spaces in the new building in order to collocate multiple departments to the building and to eliminate the need to build and maintain multiple locations for various STEM departments within MSU Denver. This flexibility will permit student scheduling between departments and provide greater opportunity for collaboration among faculty and staff.

PROGRAM INFORMATION

MSU Denver is a four-year, urban university located on the AHEC campus. The university has the third-highest enrollment of undergraduate students in the state. In fall 2014, there were 21,179 undergraduate students, or 15,514 full time equivalent students, registered. Additionally, more than 6,000 MSU Denver students study in STEM fields and advanced manufacturing disciplines.

Fiscal Year 2016-17 Capital Construction Request

Metropolitan State University of Denver

Aerospace Engineering Sciences Building

PROJECT SCHEDULE

	Start Date	Completion Date
Design	October 2014	July 2015
Construction	September 2015	May 2017
Equipment		May 2017
Occupancy		July 2017

HIGH PERFORMANCE CERTIFICATION PROGRAM

MSU Denver is building the facility to the LEED gold standard, the second highest of four possible certification levels. The costs associated with meeting the requirements of LEED certification are included in the professional services line.

SOURCE OF CASH FUNDS

The source of cash funds is bonds to be repaid from an existing student facility fee and gifts, grants, and donations. The university says it has the capacity to bond for the full \$40 million in cash funds dedicated to the project, but it anticipates that it will raise \$20 million through public/private partnerships and other donations.

MSU Denver plans to issue bonds under the Higher Education Revenue Bond Intercept Program.

Intercept program requirements pursuant to Section 23-5-139 (1)(b)(I), C.R.S. Based on the information provided by the State Treasurer's Office, staff has determined that the MSU Denver governing board meets the requirements to participate in the intercept program, as follows:

- 1.) **Credit rating:** MSU Denver current has a credit rating of A1 from Moody's. This credit rating — from a nationally recognized statistical rating organization — is in one of the three highest categories.
- 2.) **Debt service coverage ratio:** MSU Denver has a current debt service coverage ratio of greater than 2.0 percent (net revenue available for annual debt service/total amount of debt service subject to intercept program). After the issuance of bonds on behalf of the Aerospace Engineering Sciences Building, the university's debt service coverage ratio will still exceed 1.5 percent.

OPERATING BUDGET

Operating expenses are paid from institutional sources. The university anticipates an additional 1.0 FTE and \$0.9 million per year will be needed to oversee building operations.

STAFF QUESTIONS AND ISSUES

1. What is the status of fundraising on behalf of the project?

Last April, MSU Denver held a public kick off with 100 individuals representing 50 companies involved in Colorado's aerospace industry. At this event, the university announced our plans for completing and equipping the AES building, including our need for \$10 million in cash to finish construction and up to \$10 million in new equipment to fully operationalize our new Advanced Manufacturing Science Institute laboratories within the building.

Since that event, MSU Denver's team has been following up with many of these industry leaders about ways that their companies can partner with the university in the newly launched degree program in advanced manufacturing sciences as well as in providing resources for the new AES building. Several of these companies, including

Fiscal Year 2016-17 Capital Construction Request

Metropolitan State University of Denver

Aerospace Engineering Sciences Building

Lockheed Martin, Ball Aerospace, and United Launch Alliance have expressed great interest in the programs and anticipate placing interns and hiring graduates as well as collaborating on manufacturability research through active partnerships with the university once these facilities are completed.

Our team is actively soliciting leading companies for contributions and expanding our reach to original equipment manufacturers (OEM's) about supplying advanced manufacturing equipment for the new labs planned for the building.