

## AGENDA ITEM

### 3. 2016 Non-appropriated Capital Projects and Associated Debt Service Fees ..... Jonathan Pruitt

**Situation:** Non-appropriated capital projects are financed by the University, and require legislative approval for the issuance of debt. For 2016, six institutions are requesting approval for ten capital improvement projects totaling \$652 million and requiring aggregate debt issuance of \$538 million. Additionally, four campuses are requesting approval of associated student debt service fees, and the elimination of one existing debt service fee.

With Board approval, these projects will be forwarded to the General Assembly for authorization during the 2016 legislative session.

**Background:** On an annual basis, the Board considers campus proposals for projects funded from non-appropriated sources requiring the issuance of long-term debt and associated changes to student debt service fees. At the January meeting, the Budget and Finance committee discussed these projects and received detailed supplemental information after the meeting.

If approved, a detailed financial plan will be reviewed in consultation with financial advisors and bond counsel before bonds are issued and construction contracts are awarded. The Board will receive subsequent requests for approval for the issuance of bonds for these projects.

**Assessment:** All projects comply with G.S. 143C (State Budget Act) and all associated fees comply with the guidelines set forth in the Four-Year Plan for Tuition and Fees.

**Action:** This item requires a vote by the Committee, with full Board vote.

## Authorization of Capital Improvement Projects

### ISSUE OVERVIEW

Non-appropriated capital projects are financed by the University, and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings. Legislative approval is required for the issuance of debt; these “self-liquidating” capital projects are approved by the legislature after the passage of the Appropriations Act. Legislative approval is not required for non-appropriated capital projects that do not require debt issuance.

For 2016, six institutions are requesting approval for ten projects:

Project	Total (\$)	Cash/ GO Bond/ Other (\$)	Debt (\$)	Source of Funds
<b>Appalachian State University</b>				
Convocation Center Parking Deck	11,250,000	0	11,250,000	Parking receipts
<b>North Carolina Central University</b>				
New Student Center	36,084,571	0	36,084,571	\$250 new debt service fee starting 2016-17
<b>North Carolina State University</b>				
Plant Sciences	160,200,000	85,000,000	75,200,000	Gifts, grants, rental receipts
Carmichael Addition & Renovation	45,000,000	7,400,000	37,600,000	\$92.50 new debt service fee starting 2016-17
Case Commons Residence Hall	15,000,000	2,000,000	13,000,000	Gifts
<b>UNC Asheville</b>				
Highsmith Union Renovation	12,430,000	0	12,430,000	\$143 new debt service fee (net) starting 2016-17
Student Apartment Housing	33,795,000	0	33,795,000	Housing receipts
<b>UNC Charlotte</b>				
Scott Hall Renovations	22,500,000	5,130,000	17,370,000	Housing receipts
Health & Wellness Center	66,000,000	15,000,000	51,000,000	Debt service fees, including \$162 new fee starting 2018-19
<b>UNC Healthcare</b>				
Surgical Pavilion	250,000,000	0	250,000,000	Patient receipts
<b>Totals</b>	<b>652,259,571</b>	<b>114,530,000</b>	<b>537,729,571</b>	

## COMMITTEE ON BUDGET AND FINANCE – ITEM 3

### ADDITIONAL DETAIL

#### Appalachian State University

Project: Convocation Center Parking Deck  
Total Cost: \$11,250,000  
Description: The parking deck will convert an existing surface parking lot to a structured deck and accommodate 550 parking spaces.  
Rationale: This new structured parking deck project will begin to address the inadequate number of parking spaces around campus.  
Funding: The funding source for this improvement project is parking receipts.

#### North Carolina Central University

Project: New Student Center  
Total Cost: \$36,084,571  
Description: This project builds a new student center to replace the current Alphonso Elder Student Union.  
Rationale: This new student center will address the significant shortage of student center space, including a lack of space for student programs and activities, inadequate office space for student organizations, and the lack of multi-use gathering space for larger groups and conferences.  
Funding: The funding source for this improvement project is a **new debt service fee of \$250 for FY 2016-17**. The fee will be phased in over two years, increasing to \$350 for FY 2017-18 (total debt service fees of \$570).

#### North Carolina State University

Project: Plant Sciences  
Total Cost: \$160,200,000  
Description: This new interdisciplinary science building includes 180,000 square feet of project-based laboratory suites, corporate and entrepreneurship suites, growth chambers/incubator space, office and flexible seminar suites, as well as 19,000 square feet of BSL2 and BSL3 rooftop greenhouse space and bio-containment areas. The project provides campus infrastructure distribution and improvements, as well as, new structured parking.  
Rationale: This new interdisciplinary building for the Plant Sciences will bring together top talent in a spectrum of disciplines to develop innovative plant sciences solutions.  
Funding: The total project cost of \$160.2M will be split funded with \$85M in appropriated funding (Connect NC Bond) and \$75.2M in non-appropriated funding. The non-appropriated funding sources for this project are gifts, grants, and rental receipts.

## COMMITTEE ON BUDGET AND FINANCE – ITEM 3

### North Carolina State University (continued)

Project:	Carmichael Addition and Renovation
Total Cost:	\$45,000,000
Description:	This project demolishes the existing 48,000 square-foot administration building and constructs an approximately 82,800 square-foot addition. The addition will house student recreation spaces, including fitness and functional training space, classrooms and administration offices. The addition will also require renovations to approximately 1,000 square feet of the adjacent Carmichael Gym facility for accessibility and connectivity and includes new fire suppression alarm systems for about 343,000 square feet of the existing Carmichael Gym. The project relocates an existing campus steam line.
Rationale:	The program spaces within the Carmichael Complex are not sized appropriately to support the current or projected growth in demand for recreational space. The existing building does not comply with accessibility or electrical system requirements and contains asbestos.
Funding:	The funding source for this improvement project is a <b>new debt service fee of \$92.50</b> . The net impact to students will be an increase of \$47.50 (total debt service fees of \$572.00) because the Carmichael Gym Expansion debt service fee was eliminated at the March BOG meeting. Student debt service fees collected during the construction financing period will be used to reduce the need for permanent financing to approximately \$37.6 million.
Project:	Case Commons Residence Hall
Total Cost:	\$15,000,000
Description:	This project constructs a residential facility to house student athletes and the general student population on the Central Campus Precinct. The facility will provide approximately 62 beds, including resident advisors and accessible rooms. The project also includes community space, study rooms, laundry, and a 24-hour desk.
Rationale:	This project will move students from off-campus housing facilities to a location in close proximity to athletic and academic facilities.
Funding:	The funding source for this improvement project is gifts.

### University of North Carolina at Asheville

Project:	Highsmith Union Renovation
Total Cost:	\$12,430,000
Description:	This renovation project will create a multipurpose event room connecting Brown Hall and Highsmith Union with approximately 375 seats for banquets and 500 seats for lectures.
Rationale:	This project will redesign space within Highsmith Union to create better organized space for student interaction encouraging community, collaboration and engagement. Additionally, the intercultural center and the art gallery will be moved to more prominent areas.
Funding:	The funding source for this improvement project is a <b>new debt service fee of \$277</b> . However, as a part of the financing, the <b>existing Student Center debt service fee of \$134 will be retired early</b> . The net increase to students is \$143 (\$385 total debt service fees).

## COMMITTEE ON BUDGET AND FINANCE – ITEM 3

### University of North Carolina at Asheville (continued)

Project: Student Apartment Housing

Total Cost: \$33,795,000

Description: This project will build a 300 bed apartment-style resident hall complex that includes parking.

Rationale: The student demand for on-campus housing exceeds UNC Asheville's current housing capacity of 1,423 beds. Based upon a marketing study conducted in 2015, demand exists for at least 260 additional on-campus beds based on current enrollment, and enrollment is projected to increase by 100 students next year.

Funding: The funding source for this improvement project is housing receipts.

### University of North Carolina at Charlotte

Project: Scott Hall Renovations

Total Cost: \$22,500,000

Description: This project renovates Scott Hall, a 500-bed high-rise residence facility built in 1969. Student rooms and rest rooms will be updated to modern standards and window and roof replacements are included to meet American with Disabilities Act (ADA) current code. Additionally, the project includes exterior envelope improvements including the repair of spalling concrete.

Rationale: Renovations are needed to update the mechanical, electrical, information technology, and plumbing systems.

Funding: The funding source for this improvement project is housing receipts.

Project: Health and Wellness Center

Total Cost: \$66,000,000

Description: The new student Health and Wellness Center, expected to open in the fall of 2019, will be a 142,500 square foot facility located near the Student Union. It will include aerobic and weight training rooms, group fitness spaces, multipurpose courts, recreational aquatic facilities, locker rooms, student meeting space, and space for administration of the intramural and recreation programs. Advance planning will target a budget of \$63.5M. The \$66M request for authorization allows flexibility in planning the building for site conditions and contingencies.

Rationale: A recent study and a recent student survey both found that UNC Charlotte has a significant shortage of student health and wellness activity space. Additionally, planning and constructing a new Health and Wellness Center has been the top priority of the elected student leadership for the last several years.

Funding: The funding source for this improvement project is a **new debt service fee of \$162 beginning in FY 2018-19** to support \$51 million in debt, and \$15 million in debt fee balances from the previously authorized and completed student fee supported projects. At the same time, UNCC plans to eliminate the \$130 Student Activities Center fee and reduce the Student Union fee by \$47. The net change to debt service fees will be a \$15 decrease per student per year.

## COMMITTEE ON BUDGET AND FINANCE – ITEM 3

### University of North Carolina Healthcare

Project:	Surgical Pavilion
Total Cost:	\$250,000,000
Description:	This project will construct a new six-story facility encompassing approximately 150,000 square feet, with 19 operating rooms, one hybrid room, and 67 pre- and post-operative beds will allows for the care of up to 30,000 cases.
Rationale:	This project will provide additional operating rooms and supporting infrastructure constructed to meet modern surgical care needs.
Funding:	The funding source for this improvement project is patient receipts.