

Request for Additional Project and Financing Authority – NCCU

OVERVIEW

The Board previously approved the construction and financing of an approximately 100,230 SF student center (the “Student Center Project”) on the campus of North Carolina Central University (“NCCU”). Financing for the Student Center Project was to be supported by a designated student debt service fee of \$350 (the “Student Center Fee”). The North Carolina General Assembly authorized the construction and financing of the \$36,084,571 Student Center Project under S.L. 2016-97.

The Board also previously approved \$10,500,000 in deferred maintenance and infrastructure improvements on NCCU’s campus (the “Deferred Maintenance Projects”), which the General Assembly authorized under S.L. 2015-65. Financing for the Deferred Maintenance Projects was to be supported by a designated student debt service fee of \$100 (the “Deferred Maintenance Fee”). To date, NCCU has financed Deferred Maintenance Projects totaling \$1,355,000, leaving NCCU with \$9,145,000 in outstanding project and financing authority under S.L. 2015-65.

The amount originally authorized for the Student Center Project was based on NCCU’s preliminary programming and functional areas plan for the Student Center Project. NCCU subsequently engaged O'Brien Atkins/Duda Paine to complete the design for the Student Center Project. After completing its review of the Student Center Project, O'Brien Atkins/Duda Paine determined the original construction cost estimates were too low due to inflationary pressures in the local construction market. The building size was also increased to approximately 104,100 SF to provide adequate functional and circulation areas. Due to the increase in the estimated construction costs per square foot and the increase in the building size, the project is now estimated to cost \$47,279,333.

As a result, NCCU is asking that the Board request the Director of the Budget to approve \$11,194,762 in additional project and financing authority for the Student Center Project, bringing the total authorized amount to \$47,279,333, which is authorized under Section 3 of S.L. 2016-97.

To support the increased financing costs that result from the Student Center Project’s higher construction costs, NCCU is also requesting that the Board permit NCCU to combine the Student Center Fee with the unencumbered balance of the Deferred Maintenance Fee. Because the Deferred Maintenance Fee will be repurposed, NCCU will not undertake any additional Deferred Maintenance Projects or issue any additional debt under the authority granted under S.L. 2015-65.

The combined fee will produce an annual revenue stream of approximately \$428 per student through fiscal year 2028, increasing to \$450 per student thereafter. Using conservative enrollment and debt service assumptions, the combined student fee is projected to be sufficient to support the annual debt service requirements associated with the Student Center Project’s revised cost estimate.

Because NCCU will not issue the balance of the debt associated with the Deferred Maintenance Projects, NCCU’s requested increase for the Student Center Project authorization will increase the total amount of debt NCCU may issue by \$2.05 million, which is not expected to impact NCCU’s issuer credit rating.

It is recommended that the Board request additional project and financing authority for the Student Center Project as set out in the attached resolution.

APPENDIX N

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA REQUESTING
THE DIRECTOR OF BUDGET TO INCREASE FINANCING AUTHORITY FOR NEW STUDENT CENTER PROJECT
AT NORTH CAROLINA CENTRAL UNIVERSITY**

WHEREAS, under North Carolina Session Law 2016-97 the General Assembly of North Carolina authorized the Board of Governors (the "Board") of the University of North Carolina (the "University") to finance a New Student Center at North Carolina Central University ("NCCU") in the amount of \$36,084,571 through the issuance of special obligation bonds pursuant to Section 116D-26 of the General Statutes of the State of North Carolina; and

WHEREAS, the Board has determined that the anticipated cost of the New Student Center at NCCU has increased to approximately \$47,279,333 since the approval by the General Assembly; and

WHEREAS, Section 3 of North Carolina Session Law 2016-97 allows, at the request of the Board and upon determining that it is in the best interest of the State to do so, the Director of the Budget to authorize an increase in the cost of funding the projects authorized by North Carolina Session Law 2016-97;

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of the University of North Carolina as follows:

Section 1. **Request to Increase Authorization for New Student Center.** The Board hereby requests, as contemplated by Section 3 of North Carolina Session Law 2016-97, that the Director of the Budget authorize an increase in the cost of the New Student Center at NCCU from \$36,084,571 to \$47,279,333 and likewise approve the issuance of special obligation bonds of the Board in such amount and for such purpose as would be required under North Carolina Session Law 2016-97.

Section 2. **Deferred Maintenance Project Authority.** The Board hereby authorizes NCCU to use the unencumbered portion of the \$100 student debt service fee originally designated to support the deferred maintenance projects approved under North Carolina Session Law 2015-65 to support the financing for the New Student Center. NCCU may not finance any additional deferred maintenance projects under the authority granted under North Carolina Session Law 2015-65.

Section 3. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on the 8th day of September, 2017.