

Contact: Joan Racki

REGISTER OF IOWA STATE UNIVERSITY
CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS

Action Requested: Consider approval of:

1. The following actions for the **Frederiksen Court Expansion** project:
 - a. Acknowledge receipt of the University's final submission of information to address the Board's capital project evaluation criteria (see Attachment A);
 - b. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration;
 - c. Approve the financing plan and adoption of a Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the Iowa State University Science and Technology Dormitory System for certain original expenditures paid in connection with various capital improvement projects; and
 - d. Approve the schematic design, and project description and budget (\$30,900,000), with the understanding that approval will constitute final Board approval and authorization to proceed with construction.

2. The following actions for the **Lagomarcino Hall Office Remodeling** project:
 - a. Acknowledge receipt of the University's final submission of information to address the Board's capital project evaluation criteria (see Attachment B);
 - b. Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration;
 - c. Approve the schematic design and revised project budget (\$3,725,000), with the understanding that approval will constitute final Board approval and authorization to proceed with construction.

Executive Summary:

The University requests approval of the schematic design, project description and budget (\$30,900,000) and financing plan for the **Frederiksen Court Expansion** project. The project would construct six 120-bed buildings, providing housing for an additional 720 students. Each of the three floors of the six buildings would include ten apartments, with each apartment including four, single-person bedrooms, a kitchen, restroom and shower facilities and living space. Each 36,100 gross square feet building has two different apartment styles; 18 apartments with 971 net square feet (NSF) and 12 apartments with 995 NSF. The location of the six additional apartment buildings in the Frederiksen Court neighborhood, which currently has 23 apartment buildings, is shown in the schematic design booklet, which is included with the Board's agenda materials.

The project would be financed by proceeds from the sale of Dormitory Revenue Bonds. In developing the financing plan (through FY 2022), which is reflected in the attached proforma (Attachment C), the University made the following assumptions:

- Apartment and residence hall occupancy: Fall 2012 (FY 2013) occupancy (residence halls and apartments) totals 10,426. The FY 2014 assumption is 9,914, declining to 9,675 in FY 2015 and 9,638 in FY 2016, with occupancy projected at 9,542 in FY 2017 – FY 2022.
- Rate increase assumptions: No rate increase is assumed for FY 2014; the assumed rate increase for FY 2015 is 4.5% (2.0% for Schilleter / University Village) and 5.0% for dining. (These rate increases are intended to cover higher utility costs due to scheduled infrastructure upgrades.) Rate increases from FY 2016 – FY 2022 are assumed to be 3.0% for housing (2.0% for SUV) and 3.0% for dining.
- Cost increases: Assumed annual salary and benefit increases averaging 4.0%, with a 3.8% annual increase for maintenance and repair, 3.9% annually for utilities (with a 10.0% increase in FY 2015 for infrastructure upgrades), and 3.5% annually for most other expenses. The cost of food is calculated based on a percentage of annual sales, with increases in expenses based on increases in revenues.
- Two series of Dormitory Revenue Bonds would be sold for the project (\$25 million in 2013 and \$10 million in 2014); the bonds would have 20 year maturities. A bond interest rate assumption of 3.0% was used. Using these assumptions, additional debt service payments have been estimated at \$1.7 million for the 2013 series and an additional \$.7 million for the 2014 series, for a total debt service of approximately \$2.4 annually. Coverage ratios, including the new bonds, range from a low of 174% in FY 2015 to a high of 205% in FY 2022, with most years having a coverage ratio of approximately 180%. The bond covenants for the Dormitory Revenue Bonds require a coverage of at least 135%.

The University requests approval of the schematic design and revised project budget (\$3,725,000, an increase of \$825,000) for the **Lagomarcino Hall – Office Remodeling** project which would remodel, consolidate and reallocate space, services and resources within the north wing of Lagomarcino Hall to provide a new centralized area for the School of Education Administration within the College of Human Sciences. The faculty, staff and students formerly separated by departments will now share resources, spaces, and services. In December 2011, the Board approved the new School of Education which will combine the Department of Educational Leadership and Policy Studies and the Department of Curriculum and Instruction into one academic unit. The schematic design booklet, which shows the location of Lagomarcino Hall, is included with the Board's agenda materials.

Details of the Projects:

Frederiksen Court Expansion

| <u>Project Summary</u> | | | |
|--|---------------|-------------|---------------------|
| | <u>Amount</u> | <u>Date</u> | <u>Board Action</u> |
| Permission to Proceed with Project Planning | | Aug. 2012 | Approved |
| Initial Review and Consideration of Capital Project Evaluation Criteria | | Aug. 2012 | Received Report |
| Consider Use of construction Manager - Agent | | Aug. 2012 | Approved |
| Selection of Design Professional (INVISION Architecture; Des Moines) | | Oct. 2012 | Not Required* |
| Schematic Design | | Oct. 2012 | Requested |
| Project Description and Budget | \$30,900,000 | Oct. 2012 | Requested |
| Final Review and Consideration of Capital Project Evaluation Criteria | | Oct. 2012 | Receive Report |

*Approved by Executive Director, consistent with Board policies

The new apartment buildings, each with 34,680 gross square feet, will resemble the existing buildings, except for a larger footprint for the additional six apartments per building, and a slight increase in square footage for each unit to allow for all bedrooms (101 NSF) to be singles and to accommodate a larger elevator. The building materials will be similar to the existing buildings, utilizing wood truss, frame, and joist construction, with vinyl siding, cast stone and brick masonry.

The design for the new buildings will include a more energy efficient envelope, with increased insulation and better windows. The mechanical and electrical equipment will also be more energy efficient. The project goal is LEED Gold certification under the LEED for Homes rating system. There will be an elevator in each building and all buildings will have fire sprinklers.

Project Budget

| | |
|-------------------------|----------------------------|
| Construction | \$24,331,700 |
| Design and Supervision | 4,137,660 |
| Movable Equipment | 2,081,100 |
| Project Contingencies | <u>349,540</u> |
| TOTAL | <u>\$30,900,000</u> |
| Source of Funds: | |
| Dormitory Revenue Bonds | <u>\$30,900,000</u> |

Construction of site utilities and site work is anticipated to start in the winter of 2012-2013, weather permitting, with building construction beginning as soon as possible thereafter. Some

of the buildings are planned to be completed and occupied for the Fall 2013 semester, with other buildings completed for the Spring and Fall 2014 semesters.

Lagomarcino Hall – Office Remodeling

Project Summary

| | <u>Amount</u> | <u>Date</u> | <u>Board Action</u> |
|--|---------------|-------------|---------------------|
| Project Description and Budget | \$1,900,000 | Jan. 2012 | Not Required* |
| Design Professional Selection (Haila Architecture; Ames, IA) | | Jan. 2012 | Not Required* |
| Design Professional Agreement (Pre-Design – Schematic Design) | 82,400 | April 2012 | Not Required* |
| Revised Project Description and Budget | 2,900,000 | April 2012 | Approved |
| Program Statement | | July 2012 | Not Required* |
| Schematic Design | | Oct. 2012 | Requested |
| Revised Project Description and Budget | 3,725,000 | Oct. 2012 | Requested |
| Final Review and Consideration of Capital Project Evaluation Criteria | | Oct. 2012 | Receive Report |

*Approved by Executive Director, consistent with Board policies

Administrative offices, advising offices and support spaces will be consolidated around a new north main entrance and lobby. The entrance will serve as an exterior identifying point to help create a higher visibility for the school, as well as provide a common entry for ease of building way-finding and circulation. This entrance addition will utilize exterior materials including brick masonry, glass and steel that are similar in context to the existing Lagomarcino Hall.

Both formal and informal collaborative and common spaces are to be provided in public areas on all three levels of the building, including a second floor lounge overlooking the primary entry lobby. Formal meeting rooms and dedicated classrooms included in the remodel will provide technology rich environments and flexible furniture arrangements to encourage interactive and collaborative learning.

The new entry addition and interior design will have contemporary styling, yet be respectful of the historical architectural detailing at Lagomarcino Hall. This will be achieved through the use of integrated technology, increased openness and modern glass walls in contrast to the existing solid masonry walls and institutional aesthetic present in much of the building. The increased openness and use of transparent glazing on the interior will promote unity, program visibility and collaboration among students, faculty and staff, as well as provide increased natural daylight.

The College of Human Sciences has identified additional funding to address building infrastructure needs in support of the approved building program. Changes in the project scope since the approval of the program include the addition of a fire sprinkler system and upgraded water service in the north wing areas being remodeled and a new centralized north

entrance addition to the building. The water main service will be sized to allow the remainder of Lagomarcino Hall to receive fire sprinkler protection at a later date. In addition, replacement/general remodeling is being provided for classrooms, support and office spaces being displaced within Lagomarcino Hall to meet program needs for the School of Education. The full extent of this displacement was not known at the time the building program was prepared.

The following compares the approved building program with the program included in the schematic design:

| | Approved Building Program (NSF) | Schematic Design (NSF) |
|---|--|-----------------------------------|
| Lagomarcino Hall Office Remodeling School of Education (SoE) | | |
| Primary Entry Lobby | 730 | 891 |
| Primary Entry North Addition | | 655 |
| Administrative Offices | 504 | 500 |
| Administrative Support | 1,496 | 1,404 |
| Advising Offices | 488 | 499 |
| Advising Support | 769 | 680 |
| Staff / Student Support | 733 | 310 |
| Multi-Purpose Spaces | 893 | 1,187 |
| Impromptu Break-out Spaces | <u>376</u> | <u>800</u> |
| Subtotal | 5,989 | 6,926 |
| General Remodeling & Existing Spaces Displaced by Program Needs w/n Building | | |
| C.T.L.T.* Staff Offices & Support | | 730 |
| Graduate Student Offices | | 1,042 |
| Faculty Offices | | 2,246 |
| Literacy Classroom & Support Offices | | 1,230 |
| S.T.E.M.** Classroom & Support Offices | | 1,916 |
| East & West Seminar Room Finish Upgrades | | 946 |
| General University Classroom | | <u>891</u> |
| Subtotal | | |
| Total | 5,989 | 15,927 |

*Center for Technology in Learning and Teaching
**Science, Technology, Engineering and Math

Project Budget

| | Revised Budget (April 2012) | Revised Budget (Oct. 2012) |
|---------------------|-----------------------------------|----------------------------------|
| Construction Costs | \$1,977,120 | \$2,575,260 |
| Professional Fees | 593,100 | 794,130 |
| Movable Equipment | 230,000 | 260,000 |
| Relocation | 8,600 | 30,000 |
| Project Contingency | <u>91,180</u> | <u>65,610</u> |
| TOTAL | <u>\$2,900,000</u> | <u>\$3,725,000</u> |
| Source of Funds: | | |
| University Funds | <u>\$2,900,000</u> | <u>\$3,725,000</u> |
| TOTAL | <u>\$2,900,000</u> | <u>\$3,725,000</u> |

It is anticipated that the project will be bid in April 2013, with construction substantially complete by May 2014.

Frederiksen Court Expansion
Evaluation Criteria

Since the project meets the Board's definition of a major capital project, the University has provided the following information in response to the Board's evaluation criteria.

Institutional Mission / Strategic Plan: Student success is one of the core missions of Iowa State University. On-campus housing contributes in the following ways:

On-campus students of all classifications achieved higher GPA's than their off campus peers:

- 2.63 vs. 2.31 for Freshmen
- 2.85 vs. 2.58 for Sophomores
- 2.98 vs. 2.75 for Juniors
- 3.21 vs. 3.04 for Seniors

More Likely to Graduate Cyclones: 72% of freshmen who started at Iowa State in Fall 2007 had earned or were still seeking a degree at Iowa State (compared to 66% of freshmen who lived off campus).

First Year to Second Year Persistence: 88% of freshmen who were enrolled in Fall 2010 were still enrolled at ISU in Fall 2011 (compared to 83% of freshmen who lived off campus).

Take More Classes: On-campus students report enrolling for more courses than off campus students.

Learning Communities: Students in learning communities reported higher campus involvement and peer connections as well as a higher overall evaluation of the university and their experience.

MAP-Works: 86% of on-campus freshmen took MAP-Works, an online assessment tool sponsored by the Department of Residence designed to help students make a successful transition to life at ISU.

- Students who took MAP-Works (2.80 GPA Fall 2011) recorded significantly higher GPAs than non-participants (2.45 GPA Fall 2011)
- 89% of MAP-Works participants who started at Iowa State in Fall 2010 were enrolled at ISU in Fall 2011 (compared to 80% of non-participants).

They Like ISU: On-campus residents have significantly higher goal commitment, social integration, evaluation of the university, and GPA, and significantly lower homesickness.

Well-Rounded: Students living on campus are more likely to report understanding people of diverse backgrounds, getting the support they need to help them succeed academically, getting help coping with non-academic responsibilities, getting the support they need to thrive socially, and attending campus events and activities than off campus students.

Less binge drinking by students living in university housing.

They Lead: There are over 1,200 students in leadership positions in the residence halls and apartment communities.

They're Involved: On-campus students self-report being significantly more likely to participate in intramural sports and attend a student function, including sporting events, plays and art exhibits.

Relax and Socialize: Students who live on campus spend more hours relaxing or socializing.

Other Alternatives Explored: Several alternatives to meet expanding student demand for on-campus housing have been considered. These alternatives include:

On Campus

- Residence Halls, traditional
- Residence Halls, suites
- Residence Halls, combination of traditional and suites
- Apartments
- Repurposing space such as Memorial Union hotel

Off Campus

- Lease off campus apartments/properties
- Lease off campus motels
- Purchase off campus apartments/properties
- Contract for construction and operation of off campus apartments

In the evaluation of these alternatives several issues were considered.

- Duration of need/demand for housing need
- Timeframe to acquire/construct housing
- Cost to construct, maintain and operate
- Location
- Impact to Department of Residence financials
- Impact to Dining Services and demand
- Student satisfaction and impact to overall enrollment
- Student outcomes and experiences

The expansion of Frederiksen Court was identified as the most feasible alternative to provide the quality living and learning environment students have come to expect and value from the Iowa State University experience. Additionally this strategy (to construct apartments) responds to an unmet need for housing type that currently exists in the system.

Impact on Other Facilities and Square Footage: This project adds approximately 208,080 gsf to the residential inventory to provide 720 beds; no space will be vacated as a result of this project.

Financial Resources for Construction Project: Project funds of \$30.9M will be debt financed using Department of Residence revenues generated by student housing contracts. Total costs including bond costs are estimated to be \$35 million. Springsted has indicated that the additional debt will be positively received in the market, and will maintain existing credit ratings. Using conservative estimates, bond coverage ratios remain at acceptable levels of 1.74 to 2.04 substantially above the 1.35 covenant requirement. Adequate cash flows and surplus reserves remain in the Department of Residence System for continual renovations and modifications that may be necessary in future years. This supplemental information has been provided to the Board Office.

Financial Resources for Operations and Maintenance: The maintenance and operational costs are estimated at \$875,000 and will be funded through revenues generated by the housing contracts from these additional apartments.

Compelling External Agency or Policy Issues: The Ames economy continues to improve. Private off-campus housing continues to be constructed. Conversations with major rental property operators serving the student market indicate high occupancy rates. Based upon current enrollment and projected growth, proceeding to plan for this project meets an identified need of demand for on-campus university housing for a significant number of students. The university will continue to communicate with the local community.

Lagomarcino Hall Office Remodeling
Evaluation Criteria

Since the project meets the Board's definition of a major capital project, the University has provided the following information in response to the Board's evaluation criteria.

Institutional Mission / Strategic Plan: This remodeling within Lagomarcino Hall has been designed to enhance the future of the School of Education's component disciplines to position it to play a foundational role in the twenty-first century mission of Iowa State University. Multiple and overlapping natural partnerships among the participating departments will allow the new School to provide enriched education for its students and to build partnerships that enhance the quality of its scholarship.

This project is being designed to accomplish the following:

1. Better address the challenges currently facing education in Iowa and nationally through visible collaborations across teacher and administrator preparation, with areas of content expertise and via partnerships with multiple partners beyond the university setting.
2. Achieve greater visibility within the university, state, nation and internationally.
3. Create a greater sense of unity, cohesion and a shared mission across education programs at Iowa State University.
4. Build on strengths of current programs while increasing potential for collaboration across programs within Iowa State University.
5. Provide greater efficiency of human and financial resources.

Other Alternatives Explored: Several alternatives were explored during schematic design. After thorough evaluation, two design alternatives were seriously considered. The first option maintained the existing northeast entry to Lagomarcino Hall and combined the reception/waiting areas for both the administrative and advising suites. A second more desirable option incorporated a new central entrance on the north facade. This design option resulted in the clearest and most direct circulation, provided a strong highly visible entrance for the school and more closely aligned with the goals and objectives in the Program Statement.

Impact on Other Facilities and Square Footage: No space will be vacated as a result of this project. However, due to internal plan reorganization of the building, this project will reallocate space within Lagomarcino Hall that has been displaced to meet program needs.

Financial Resources for Construction Project: This project will be funded by general university funds.

Financial Resources for Operations and Maintenance: No additional operating and maintenance expenses are anticipated.

IOWA STATE UNIVERSITY
Department of Residence and ISU Dining
Proforma for FY13-FY22

| | Actual FY2012 | Projected FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-----------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income: | | | | | | | | | | | |
| Unit Income | 65,894,208 | 67,226,457 | 68,447,941 | 70,081,245 | 72,306,760 | 74,107,399 | 76,276,725 | 78,790,631 | 81,375,039 | 84,049,922 | 86,511,154 |
| Interest | 188,362 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 | 170,000 |
| Other Income | 18,415,734 | 17,678,130 | 18,846,419 | 18,754,925 | 19,878,414 | 19,817,330 | 20,972,130 | 20,943,285 | 22,131,282 | 22,136,619 | 23,359,811 |
| Adjusted Gross Income | 84,478,304 | 85,074,587 | 87,464,360 | 89,006,170 | 92,355,174 | 94,094,729 | 97,418,855 | 99,903,916 | 103,676,321 | 106,356,541 | 110,040,965 |
| Expenses: | | | | | | | | | | | |
| Salaries and Benefits | 28,405,116 | 30,947,756 | 32,387,843 | 33,388,045 | 34,628,535 | 35,845,705 | 37,277,117 | 38,662,550 | 40,219,836 | 41,745,158 | 43,424,349 |
| Maintenance & Repair | 2,563,383 | 2,326,377 | 2,469,241 | 2,540,553 | 2,637,841 | 2,738,891 | 2,843,849 | 2,952,867 | 3,066,105 | 3,183,725 | 3,305,899 |
| Utilities | 6,235,223 | 6,597,399 | 7,815,727 | 8,543,779 | 8,877,131 | 9,223,524 | 9,583,468 | 9,957,496 | 10,346,159 | 10,750,030 | 11,169,707 |
| Cost of Food | 11,573,092 | 10,787,321 | 10,909,546 | 11,365,836 | 11,795,940 | 12,185,103 | 12,550,935 | 13,002,459 | 13,471,705 | 13,960,693 | 14,379,919 |
| Commissions | 902,147 | 995,292 | 1,025,151 | 1,055,905 | 1,087,582 | 1,120,210 | 1,153,816 | 1,188,431 | 1,224,084 | 1,260,806 | 1,298,630 |
| Other Operating Expenses | 9,611,174 | 9,372,369 | 9,793,790 | 10,054,745 | 10,386,625 | 10,750,399 | 11,126,893 | 11,516,582 | 11,919,872 | 12,337,308 | 12,769,371 |
| Total Operating Expense | 59,290,135 | 61,026,513 | 64,401,297 | 66,948,863 | 69,413,655 | 71,863,832 | 74,536,079 | 77,280,365 | 80,247,759 | 83,237,720 | 86,347,875 |
| Net Available for Surplus | 25,188,169 | 24,048,075 | 23,063,062 | 22,057,307 | 22,941,519 | 22,230,897 | 22,882,776 | 22,623,552 | 23,428,562 | 23,118,821 | 23,693,090 |
| Debt Service | 10,411,183 | 11,137,521 | 12,688,081 | 12,667,856 | 12,662,186 | 12,644,352 | 12,629,917 | 12,624,499 | 11,590,048 | 11,647,028 | 11,625,295 |
| University Overhead | 1,738,618 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 | 2,001,928 |
| Revenue Fund to Resene Fund | 284,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Revenue Fund to Improvement Fur | 426,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Net Available for Surplus | 12,859,801 | 13,639,449 | 15,170,009 | 15,169,784 | 15,164,114 | 15,148,280 | 15,131,845 | 15,126,427 | 14,091,976 | 14,148,956 | 14,127,223 |
| Debt Service Coverage Ratio | 12,328,368 | 10,408,626 | 7,893,053 | 6,887,523 | 7,777,405 | 7,084,617 | 7,750,931 | 7,497,125 | 9,336,586 | 8,969,865 | 9,565,867 |
| | 242% | 216% | 182% | 174% | 181% | 176% | 181% | 179% | 202% | 198% | 204% |
| Beginning Surplus Balance | 15,084,487 | 14,341,686 | 15,931,167 | 17,198,824 | 18,005,823 | 21,181,319 | 24,788,087 | 28,767,427 | 31,728,572 | 36,299,058 | 41,800,633 |
| Net Available for Surplus | 12,328,368 | 10,408,626 | 7,893,053 | 6,887,523 | 7,777,405 | 7,084,617 | 7,750,931 | 7,497,125 | 9,336,586 | 8,969,865 | 9,565,867 |
| Transfer to Improvement Fund | (12,390,000) | (9,040,319) | (6,846,571) | (6,301,699) | (4,823,084) | (3,699,025) | (3,992,766) | (4,757,155) | (4,987,275) | (3,689,466) | (795,044) |
| Other Transfers In (Out) | (809,515) | - | 1,250,000 | 750,000 | - | - | - | - | - | - | - |
| Bond Interest | 131,789 | 221,175 | 221,175 | 221,175 | 221,175 | 221,175 | 221,175 | 221,175 | 221,175 | 221,175 | 241,667 |
| Surplus Expenditures - Capital | - | (1,250,000) | - | (750,000) | - | - | - | - | - | - | - |
| Surplus Expenditures - Non Capite | (3,443) | - | - | - | - | - | - | - | - | - | - |
| Ending Surplus Balance | 14,341,686 | 15,931,167 | 17,198,824 | 18,005,823 | 21,181,319 | 24,788,087 | 28,767,427 | 31,728,572 | 36,299,058 | 41,800,633 | 50,813,122 |