

MEMORANDUM



DATE: March 3, 2017
TO: Joint Capital Outlay Subcommittee
FROM: Ben Gielczyk, Senior Fiscal Analyst
RE: Executive Recommended FY 2017-18 Capital Outlay Projects

This memo will summarize the capital outlay projects included in the FY 2017-18 Executive Recommendation.

Background Information¹

To have a project considered for planning authorization, universities, community colleges, and state agencies were required to submit their FY 2017-18 project priority requests to the State Budget Office (SBO) no later than November 1, 2016. For FY 2017-18, institutions that received planning authorization for a project in FY 2016-17 were instructed to submit the approved project as a priority request rather than a new priority project.² Under Section 242 of 1984 PA 431, Department of Technology, Management, and Budget (DTMB) (through the SBO) and Joint Capital Outlay Subcommittee (JCOS) are required to review, evaluate, and prioritize requests for state-funded projects by March 1 according to statutorily-defined factors:

- Investment in existing facilities and infrastructure
- Life and safety deficiencies
- Occupancy and utilization of existing facilities
- Integration of sustainable design
- Estimated cost
- Institutional support
- Estimated operating costs
- Impact on tuition
- Impact on job creation in this state
- History of prior appropriations received by the institution through the capital outlay process

SBO and JCOS may include additional factors if either deem them necessary to the evaluation and scoring process. The SBO included the following three criteria to their priority project scoring and ranking system:

- Impact on core mission of the institution
- Focus of project on single, stand-alone facility
- History of compliance with JCOS and DTMB/SBO project requirements

¹ For further background information on the capital outlay process see:

http://www.house.mi.gov/hfa/PDF/CapitalOutlay/Capital_Outlay_Process_2015.pdf.

² A listing of priority project requests for universities can be found here:

http://www.house.mi.gov/hfa/PDF/CapitalOutlay/Univ_Priority_Requests_FY17-18.pdf

A listing of priority project requests for community colleges can be found here:

http://www.house.mi.gov/hfa/PDF/CapitalOutlay/CC_Priority_Requests_FY17-18.pdf

FY 2017-18 Executive Recommendation Recommended Capital Outlay Projects

SBO reviewed and scored the FY 2017-18 priority project requests to determine which projects, if any, would be included in the FY 2017-18 Executive Recommendation.³ Based on SBO rankings, the FY 2017-18 Executive Recommendation included planning authorizations for three universities, two community colleges, and two state agencies. **Table 1** provides a listing of the projects and their associated costs.

Table 1
FY 2017-18 Capital Outlay Project Executive Recommendation Requests

<u>Project</u>	<u>Total Cost</u>	<u>State Share</u>	<u>Institution Share</u>
<u>Universities</u>			
Wayne State University – STEM Innovation Learning Center	\$29,500,000	\$14,750,000	\$14,750,000
Saginaw Valley State University – College of Business and Management Expansion	17,500,000	9,800,000	7,700,000
Michigan Tech University – H-STEM Engineering and Health Technology Complex (Phase I)	<u>39,600,000</u>	<u>29,700,000</u>	<u>9,900,000</u>
University TOTAL	\$86,600,000	\$54,250,000	\$32,350,000
<u>Community Colleges</u>			
Henry Ford College – Entrepreneur and Innovation Institute/Technology Building Renovation	\$14,900,000	\$6,700,000	\$8,200,000
St. Clair County Community College – Health Sciences, AJ Thiesen Building Renovation	<u>9,800,000</u>	<u>4,900,000</u>	<u>4,900,000</u>
Community College TOTAL	\$24,700,000	\$11,600,000	\$13,100,000
<u>State Agencies</u>			
Department of Health and Human Services – Caro Center	\$115,000,000	\$115,000,000	\$0
Department of Technology, Management, and Budget – Secondary Complex – Secretary of State Building Addition	<u>34,100,000</u>	<u>34,100,000</u>	<u>\$0</u>
State Agency TOTAL	\$149,100,000	\$149,100,000	\$0
TOTAL	\$260,400,000	\$214,950,000	\$45,450,000

As noted in Table 1, total state share for the Executive recommended projects is \$215.0 million. The estimated debt service on the bonds issued to satisfy the state share would range from \$15.0 million to \$19.3 million over 15 to 17 years. More detailed summaries of the Executive Recommended projects follow.

Universities

Wayne State University – STEM Innovation Learning Center

³ FY 2017-18 State Budget Office state-funded priority project rankings can be found at http://www.michigan.gov/documents/budget/FY18_Capitol_Outlay_Proj_Req_Review_and_Evals_550777_7.pdf

The STEM Innovation Learning Center project at Wayne State University has a total project cost of \$29.5 million; a total state share of \$14.8 million; and a total university share of \$14.8 million. The project would involve the renovation and repurposing of approximately 100,000 sq. ft. of the existing Science and Engineering Library into a new STEM Innovation Learning Center. The Science and Engineering Laboratory was closed in January 2014. Planned uses of the space include general purpose classrooms and instructional laboratories, living room spaces for student congregation, maker hacker labs for interdisciplinary exposure not possible in most instructional settings, and dedicated classroom and office space to a specific department to oversee building maintenance and operation. The renovations would allow for advanced technology and new teaching capabilities, in addition to advancing STEM course offerings that are currently offered in old buildings lacking newer technology. The university has requested 50% state share which is below the eligible state share of 75%. The project was ranked 1st among university priority project requests by SBO for the FY 2017-18 Executive Recommendation. (Estimated debt service: \$1.2 million)

Saginaw Valley State University – College of Business and Management Expansion

The College of Business and Management expansion project at Saginaw Valley State University has a total project cost of \$17.5 million; a total state share of \$9.8 million; and a total university share of \$7.7 million. The project would involve a 40,000 sq. ft. addition to the Business and Professional Development Center to provide various academic, experiential, and active learning lab enhancements; academic centers (Dow Entrepreneurship Institute, Stevens Center for Family Business, and Business Resource Development Center); gathering spaces; and department offices. The addition of a finance laboratory/Bloomberg Trading Room, innovation laboratory, and consumer behavior lab would provide the necessary state-of-the-art labs to support integrative learning and team project environments. The university has requested a 56% state share which is below the eligible state share of 75%. The project was ranked 2nd among university priority project requests by SBO for the FY 2017-18 Executive Recommendation. (Estimated debt service: \$784,000)

Michigan Technological University – H-STEM Engineering and Health Technologies Complex – Phase 1

The H-STEM Engineering and Health Technologies Complex – Phase 1 project at the Michigan Tech University has a total project cost of \$39.6 million; a total state share of \$29.7 million; and a total university share of \$9.9 million. The project would include the renovation of 45,000 sq. ft. of existing space and the addition of 63,000 sq. ft. of new space to the Chemical Sciences and Engineering Building. The renovated space would be used for general purpose classrooms and learning labs. The new space would include high tech, flexible laboratories. The project would support STEM education and research in a variety of engineering disciplines, biology, chemistry, computer science, cognitive and learning sciences, kinesiology and integrative physiology. The project would also include the Life Sciences Technology Institute which is active in life-science research and education at the national and international level. The project was ranked 3rd among university priority project requests by SBO for the FY 2017-18 Executive Recommendation. (Estimated debt service: \$2.4 million)

Community Colleges

St. Clair County Community College – Health Sciences – AJ Theisen Building Renovation

The Health Sciences – AJ Theisen Building Renovation project at St. Clair County Community College has a total cost of \$9.8 million; a total state share of \$4.9 million; and a total community college share of \$4.9 million. The project would involve the renovation and remodeling of 41,750 sq. ft. of existing space in the AJ Theisen Building. Originally constructed as an industrial technology

learning center in 1969, the building currently has low utilization. The renovation project would convert the building into a state-of-the-art instructional space with simulation labs that replicate clinical environments for training medical professionals in nursing and health science-related programs. These simulation spaces would include examination rooms, ambulance staging and scenario space, and a medical records office. In addition, the renovation would include skills labs adjacent to the simulation labs, a new computer lab, modern lecture halls, and a multi-purpose student hall for group learning or training events. Mechanical systems and energy efficiency upgrades would also be included. The project was ranked 1st among community college priority requests by SBO for the FY 2015-16 Executive Recommendation. (Estimated debt service: \$392,000)

Henry Ford College – Entrepreneur and Innovation Institute/Technology Building Renovation and Addition

The Entrepreneur and Innovation Institute/Technology Building Renovation and Addition project at Henry Ford Community College has a total project cost of \$14.9 million; a total state share of \$6.7 million; and a total college share of \$8.2 million. The project would include the renovation of 18,000 sq. ft. and the addition of 24,000 sq. ft. of space. The addition to the HFC Technology Building to improve and reconfigure existing laboratories and address deferred maintenance on building systems. Renovations begun in 2015 under a Community College Skilled Trades Equipment Grant would be continued with this project. The addition to the building would create multidisciplinary labs, renovated automotive labs, and the business and entrepreneurial collaboration space needed to support changing programs, the regional demand for workforce training, and business and industry partnership initiatives. The Center for Innovation in Occupational Education, created in 2012, would operate in the new space providing programs and physical space for in transportation/automotive technology, fabrication labs, Product Development Center, Entrepreneurship and Business Skills Center, and overall improved learning spaces. The project was ranked 2nd among community college priority project requests by SBO for the FY 2017-18 Executive Recommendation. (Estimated debt service: \$536,000)

State Agencies

Department of Health and Human Services – Caro Center Replacement

The Caro Center replacement for a new state psychiatric hospital project has a total project cost and state share of \$115.0 million. The project would involve the construction of new 250,000 sq. ft., 200-bed replacement facility for the Caro Center state psychiatric hospital. The need for the new hospital stems from a DHHS comprehensive evaluation of the state's five psychiatric facilities. The proposed replacement facility would increase the current bed space from 150 to 200. This increase in capacity would help address the 30% increase in the number of individuals adjudicated as Incompetent to Stand Trial and Not Guilty by Reason of Insanity in the last five years. The current waitlist for entrance into the state's psychiatric hospitals includes approximately 200 individuals. The increased capacity is anticipated to necessitate the need for 130 additional staff (340 individuals are currently at the Caro Center). Increased staffing would increase operational costs by \$15 to \$18 million annually. The current Caro facility, originally built in 1919, is experiencing continued infrastructure deterioration and has experienced no major remodeling since 1979. Of the 38 buildings, 18 are considered uninhabitable and two buildings have closed since 2015 due to facility conditions. Living quarters are currently not considered compliant with the Americans with Disabilities Act requirements. Joint Commission and Centers for Medicare and Medicaid accreditation allowing for the receipt of federal funds is dependent on facilities in good physical condition. A \$500,000 planning grant was included in 2016 PA 268 for Caro modernization. This project reflects an amended scope of the original project from modernization to a replacement facility. The project was ranked 1st among state agency priority

project requests by SBO for the FY 2017-18 Executive Recommendation. (Estimated debt service: \$9.2 million)

Department of State – Secondary Complex – Secretary of State Building Addition

The Secretary of State Secondary Complex Building Addition has a total project cost and state share of \$34.1 million. The project would include a 90,000 sq. ft. addition to the Secretary of State building at the State of Michigan Secondary Complex in Dimondale. Once the addition was complete it is anticipated that the current structure housing the Department of State would be vacated and razed. Demolition costs are not included in the project cost and are estimated to be \$1.2 million. The current facility was constructed in 1968 as a temporary facility (lifespan of no more than 25 years) with additions in 1969. Approximately 400 employees currently reside in the building from DTMB's information technology Lake Superior Housing Center and Department of State offices responsible for central collection and processing of branch office data and information. The DTMB portion of the building has been renovated and upgraded and would not be included in the project scope. In addition, because of the temporary nature of its construction, the building envelope and systems are failing. Renovation to the existing space was considered, however, it was determined that renovation would not lead to significant cost savings over new construction. The project was ranked 2nd among state agency priority project requests by SBO for the FY 2017-18 Executive Recommendation. (Estimated debt service: \$2.7 million)