

COMMISSION FOR HIGHER EDUCATION

Friday, September 14, 2012

DECISION ITEM C-1: McKinley Commons – Ball State University

Staff Recommendation

That the Commission for Higher Education recommend approval to the State Budget Agency and the State Budget Committee the following project: *McKinley Commons – Ball State University*. Staff recommendations are noted in the staff analysis.

Background

By statute, the Commission for Higher Education must review all projects to construct buildings or facilities costing more than \$500,000, regardless of the source of funding. Each repair and rehabilitation project must be reviewed by the Commission for Higher Education and approved by the Governor, on recommendation of the Budget Agency, if the cost of the project exceeds seven hundred fifty thousand dollars (\$750,000) and if any part of the cost of the project is paid by state appropriated funds or by mandatory student fees assessed all students. Such review is required if no part of the project is paid by state appropriated funds or by mandatory student fees and the project cost exceeds one million five hundred thousand dollars (\$1,500,000). A project that has been approved or authorized by the General Assembly is subject to review by the Commission for Higher Education. The Commission for Higher Education shall review a project approved or authorized by the General Assembly for which a state appropriation will be used. All other non-state funded projects must be reviewed within ninety (90) days after the project is submitted to the Commission.

The Trustees of Ball State University seeks authorization to proceed with the construction of McKinley Commons at the Muncie campus. The facility will include new student housing, hotel guest rooms, community spaces, two separate restaurant/café areas and the relocation of the BSU Office of Conferences and Special Events. The total project is approximately 100,000 gross square feet. The expected cost of the project is \$25,900,000 and would be funded through the issuance of tax exempt revenue bonds.

Supporting Document

McKinley Commons – Ball State University, September 14, 2012.

**MCKINLEY COMMONS
BALL STATE UNIVERSITY**

Project Description

DESCRIPTION OF THE PROJECT

McKinley Commons is envisioned as a mixed-use, immersive living/learning laboratory which will serve both the Ball State and greater Muncie communities. This four-story, 100,000 square foot facility will be located at the intersection of McKinley Avenue and University Avenue, immediately south of the Music Instruction Building and McKinley Avenue parking garage, and in close proximity to the Frank A. Bracken Administration Building and L.A Pittenger Student Center.

As shown below, the project includes student housing, community spaces, university offices, and commercial tenants. McKinley Commons includes a variety of integrated components as follows:

- 51 new student housing (living/learning) beds - targeting upperclassmen in the Hospitality and Food Management program.
- 112 guest rooms, with a front desk, lobby area, and food service - providing a laboratory for Hospitality Management students.
- Over 7,000 square feet of community spaces, including a meeting room which can accommodate 175 participants, two conference room/meeting rooms, and a classroom/laboratory for Event Planning students.
- Two separate restaurant/cafe areas and two separate kitchen facilities, including a specialty retail sales facility - to provide a laboratory for Food Management students.
- Relocation of Ball State University's Office of Conferences and Special Events.

NEED AND EXPECTED CONTRIBUTION TO EDUCATIONAL SERVICES

The new facility helps fulfill one of the University's primary goals of immersive learning by providing a hands-on facility for students in hospitality management, event planning, and food management. Based on 2011 enrollment data, the Hospitality and Food Management (HFM) program ranks number 20 at Ball State (out of 180 majors) in terms of total enrollment, with 201 undergraduate student majors and 95 minors. More importantly, Hospitality and Food Management has proven to be a growing academic sector on campus. Over the past eight years, the total number of majors increased from 45 to 201 - an increase of nearly 350%. The total number of students with a minor in this program increased from 19 to 95 over eight years - 400% increase. These percentage increases rank amongst the highest of all Ball State University academic programs.

The Hospitality and Food Management program utilizes a student-centered pedagogy that is derived from research and experientially executed. Theory formation and testing is executed in labs and shared with the hospitality industry to inform best practices. The HFM program specializes in three management areas: food, hotel and event/meetings planning and execution:

- *Food Laboratory.* Two restaurants and a specialty retail production and sales area are where students will learn management and operation principles. Recipe development, profit and loss analysis, and human resource management skills will be honed using such tools as food cost percentage metrics and customer reviews,

- *Hospitality Laboratory.* A 112 guest room property is where students will take classroom theories and apply them in real time. Front desk operations, housekeeping manager, night auditor, and room rate forecaster are a few of the positions students will be expected to master.

- *Event/Meeting Laboratory.* Specialized software applications such as C-Vent where marketing, budget formation, and room layout will be used by students to operate a ballroom, meeting rooms and outdoor amenities. An annual fundraising event will be held for a local non-profit agency that will involve students in a large-scale capstone experience.

The University's current Student Center Hotel (25 rooms) does not adequately serve the University's needs and is in need of significant upgrades. Ball State University is one of the only universities in Indiana which does not have a primary lodging and meeting facility on its campus. When completed, the University will close this existing hotel in the L.A. Pittenger Student Center and will create student activity spaces in this area. The kind of instructional spaces to be available in McKinley Commons is currently unavailable to Ball State students. Having a learning laboratory of this type will attract students to the program and provide a heightened level of learning experience for students. The result will be to provide the graduates of these programs with skills and experience that will enhance their value and marketability to employers in this field.

STAFF ANALYSIS AND RECOMMENDATION

In order to address growing enrollment in Hospitality and Food Management (HFM) majors, provide an immersive learning environment for students, and to accommodate visitors and conferences at the Muncie campus, Ball State is requesting to construct McKinley Commons. The facility will provide student housing (51 units), new guest rooms (112 rooms), food service accommodations, meeting and event space and commercial space (over 7,000 square feet). McKinley Commons will provide a real world experience for HFM majors while providing services to students, faculty, staff and visitors of BSU. With the growth of HFM majors from less than 50 in 2004 to over 200 in 2012, BSU is requesting this facility to allow for continued growth in this program while offering an immersive learning opportunity not currently available on campus.

The facility will cost approximately \$25.9 million and will be funded through revenue bonds. BSU expects revenue from the operation of McKinley Commons through hotel, housing, restaurant, café and commercial operations to support the debt service and operational costs of the facility. The cost per square foot is \$262 (total gross square feet of 99,672); however, with various functions represented in the facility, it is difficult to break out the cost per square foot for housing, hotel, food service and meeting space functions. However, in the last 3 years most residence halls (as a comparison) built by Indiana's public postsecondary institutions have ranged from \$172 to \$310 per square foot.

Currently, the L.A. Pittenger Center, which houses conference operations and a hotel, provides only 25 hotel rooms. By vacating the Pittenger Center and creating 112 new guest rooms, BSU will be able to provide an on-campus hotel solution, which studies have determined will not have an adverse affect on hotel capacity in the Muncie area. The Delaware Chamber of Commerce supports this project and market studies have determined the new facility will provide for an unmet need in the community. In addition,

by adding nearly 7,000 square feet of meeting and conference space, along with dining options, BSU can create a facility that provides support to BSU, Muncie and Delaware County events while educating HFM students at the same time through real world experiences.

Regarding the on-campus housing units in the facility, the addition of 51 units will have little impact on long-term plans for BSU on-campus housing. In addition, rates for the new units will be similar to those charged at other on-campus facilities. The on-campus housing in McKinley Commons will be geared towards HFM majors and upper classman.

Finally, while BSU does not have immediate plans for the L.A. Pittenger space, BSU will reevaluate the facility for future use as the McKinley Commons project is completed.

Other on-campus housing projects approved by the Commission:

- Ball State North Hall – Approved in October 2006. \$40M building with 600 beds at a size of 187,500 gross square feet. (\$67K per bed, \$213 per gross square foot)
- Ball State DeHority Residence Hall – Approved in October 2007. \$30M renovation with 549 beds at a size of 155,000 gross square feet. (\$55K per bed, \$193 per gross square foot)
- Ball State Studebaker East Residence Hall – Approved in May 2010. \$24M renovation with 440 beds at a size of 97,000 gross square feet. (\$55K per bed, \$247 per gross square foot)
- Indiana State University – North Campus Residence Hall – Approved in March 2012. \$24M building with 352 beds at a size of 139,000 gross square feet. (\$68K per bed, \$172 per gross square foot)
- Indiana University Bloomington Ashton Complex – Approved in August of 2008. \$80M building (7 buildings) with 837 beds at a size of 411,000 gross square feet. (\$96K per bed, \$195 per gross square foot)
- Indiana University Bloomington Third Street Residence Hall – Approved May 2011. \$38M building with 450 beds at a size of 155,000 gross square feet. (\$84K per bed, \$245 per gross square foot)
- Vawter Field Housing – Approved in October 2011. \$40M building with 300 beds at a size of 128,400 gross square feet. (\$133K per bed, \$310 per gross square foot)

Staff recommends the Commission provide a favorable review of this proposed project.

PROJECT SUMMARY

NEW CONSTRUCTION

McKinley Commons

INSTITUTION: Ball State University CAMPUS: Muncie
PROJECT TITLE: McKinley Commons BUDGET AGENCY NO.: D-1-13-1-01
INSTITUTION'S PRIORITY: _____

PROJECT SUMMARY DESCRIPTION (ATTACHMENT A)

SUMMARY OF NEED AND NET CHANGE IN CONTRIBUTION TO EDUCATIONAL SERVICES PROVIDED BY INSTITUTION (ATTACHMENT B)

SPACE DATA (ATTACHMENT C)

PROJECT SIZE: 99,672 GSF 80,051 ASF 80% ASF/GSF
NET CHANGE IN CAMPUS ACADEMIC/ADMINISTRATIVE SPACE: 80,051 ASF

TOTAL PROJECT BUDGET (ATTACHMENT D)

TOTAL ESTIMATED COST: \$ 25,900,000 \$/GSF \$262
ANTICIPATED DATE OF PROJECT COMPLETION: June 2014

ANTICIPATED SOURCES OF FUNDING (ATTACHMENT E)

<u>Tax Exempt Revenue Bonds</u>	\$ <u>25,900,000</u>
TOTAL BUDGET	\$ <u>25,900,000</u>

ESTIMATED CHANGE IN ANNUAL OPERATING BUDGET AS A RESULT OF THIS PROJECT (ATTACHMENT F)

\$ N/A () INCREASE () DECREASE _____

NOTE: SEE ATTACHMENTS FOR SUPPORTING INFORMATION REQUEST TO BE SUBMITTED WITH PROJECT SUMMARY FORM.