

COMMISSION FOR HIGHER EDUCATION

Friday, October 9, 2009

**DECISION ITEM B-1: HPER Courtyard – Build-Out at Indiana University
Bloomington**

Staff Recommendation

That the Commission for Higher Education recommend approval to the State Budget Agency and the State Budget Committee of the project *HPER Courtyard – Build-Out at Indiana University Bloomington*, as described in the project description and staff analysis dated September 30, 2009.

Background

By statute, 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 to all students.

The Trustees of Indiana University respectfully request authorization to enclose and build-out the courtyard of the Health, Physical Education, and Recreation Building (HPER) on the Bloomington campus. This project is estimated to cost \$6,340,000 and will be funded as follows: \$573,000 in gift funds; \$500,000 indirect cost recovery reserves; and \$5,267,000 through the issuance of certificates of participation in capital lease-purchase obligations between the university and the Indiana University Building Corporation.

Supporting Document

HPER Courtyard – Build-Out at Indiana University Bloomington, September 30, 2009.

HPER COURTYARD – BUILD-OUT AT INDIANA UNIVERSITY BLOOMINGTON

Project Description and Staff Analysis*

September 30, 2009

SUMMARY

The Trustees of Indiana University respectfully request authorization to enclose and build-out the courtyard of the Health, Physical Education, and Recreation Building (HPER) on the Bloomington campus. This project is estimated to cost \$6,340,000 and will be funded as follows: \$573,000 in gift funds; \$500,000 indirect cost recovery reserves; and \$5,267,000 through the issuance of certificates of participation in capital lease-purchase obligations between the university and the Indiana University Building Corporation.

The Trustees of Indiana University also request authorization to issue certificates of participation (COPs) in capital lease-purchase obligations between the university and the Indiana University Building Corporation under IC 21-33-3-5. Repayment of the certificates of participation in the capital lease-purchase obligations would be made from legally available funds of the university, specifically indirect cost recovery funds, excluding mandatory student fees, state appropriations, and any interest earnings on such fees and appropriations. The principal amount of the COPs will be \$5,267,000 for costs of construction, renovation, equipment, and other related project components of the HPER Courtyard – Build-Out project, plus the costs of issuance.

The university may enter into a long-term agreement to lease a portion of the existing facility to the IUBC for a term in excess of four years pursuant to I.C. 21-31-4-2 or may grant a license or easement to IUBC for a portion of the existing facility, for purposes of facilitating construction of the build-out. The university would enter into a capital lease-purchase agreement with the IUBC to lease back the related build-out capital improvements. At such time as the COPs obligations are retired, any lease and lease-purchase agreements would terminate and the HPER courtyard build-out capital improvements would revert to the university.

The issuance of the COPs and the related plan of finance would be subject to review by the Indiana Finance Authority and approval by the State Budget Director.

DESCRIPTION OF THE PROJECT:

Indiana University proposes to enclose the courtyard of the Health, Physical Education, and Recreation Building on the Bloomington campus to gain additional area for use as faculty office and instructional space. The courtyard is entirely enclosed by the building and is not open for public use. This project entails constructing a roof over the courtyard and building three levels within the space.

Access to the offices on the first level would be through an existing entry on the north side of the courtyard and through a new entry constructed on the south side of the courtyard.

* The *Staff Analysis* is a Commission staff work product. Most other portions of this document are extracted from documents authored by the institution, with occasional editing to conform to agenda presentation style.

The courtyard measures approximately 108 feet x 81½ feet or 8,802 square feet. The construction of two-and-a-half levels within the courtyard would yield approximately 22,000 additional gross square feet (gsf) to the building which equates to approximately 16,000 asf of new building space. This new space would be organized to include the following:

- Auditorium
- Faculty Offices to include:
 - Center for Minority Health
 - Center for Sexual Health Promotion
 - National Center for Accessibility
 - Uptake Center for Physical Activity
 - HPER Career Advising Center
 - OSHA Administrative Office
- Conference Room
- Half level of shell space on third level

NEED AND EXPECTED CONTRIBUTION TO EDUCATIONAL SERVICES

The School of Health, Physical Education and Recreation (HPER) is experiencing a serious shortage of faculty/staff offices and laboratory space. The school is also in need of a large dedicated auditorium. The current HPER classroom and office facility was built in 1961 when there were approximately 500 students enrolled in the program. The program has grown dramatically as the opportunities for careers in the leisure sports management and recreation fields have grown. Today, there are approximately 2,400 undergraduate and graduate majors enrolled in the HPER program. This growth has caused severe shortages of space within the facility. Additional offices and classrooms are urgently needed to meet the academic needs of students and faculty.

In addition to HPER majors, the program accommodates another approximately 12,000 students annually in service courses for the campus in general education, lab, and theory courses. Each semester the demand for large classes exceeds the availability of classroom space. This project would help alleviate the shortage.

As HPER programs have experienced substantial growth, faculty/staff levels have grown to the extent they are now located at four temporary sites outside of the HPER building. This dislocation has created additional administrative discontinuities. This project would bring faculty/staff from these outlying areas back within the HPER Building, reinforce collegiality, and ease the administrative and logistical burden of so many satellite locations.

The HPER program has approximately 20 assistant instructors located in three locations outside the building. This project would provide space within the building so that they could be housed near the faculty and students with whom they work. The benefits include increased peer group interaction and collegiality, and decreased administrative and logistical burden of three satellite locations.

There have been increases in professional staff at HPER, which have added to space needs. To meet the needs of the expanded nature of carrying out the every-day business at the school and the university, more professional staff positions have been created during the past ten years. The additional staff is involved with directing the various programs related to Recreational Sports, and more staff is involved with support functions such as business affairs, personnel administration, and facility management, among others. Overall, increases in both professional- and support-staff positions have mirrored the trend in all

of higher education. It takes more people to manage the institution given the increased diversity of functions and responsibilities.

The completion of this project would help to address all of the issues as described above. The new space would provide modern and appropriate space as well as a much needed auditorium

RELATIONSHIP TO OTHER CAPITAL IMPROVEMENT PROJECTS

No other projects are directly dependent upon the completion of this project.

HISTORICAL SIGNIFICANCE

Indiana University does not consider any of the buildings affected by this project to be historically significant.

ALTERNATIVES CONSIDERED

Due to the lack of appropriate space and the specific needs of this project, it was determined that this option was the only feasible alternative.

RELATIONSHIP TO LONG-RANGE FACILITIES PLANS

This project has been on the ten-year capital plan at Indiana University since 2004.

RELATIONSHIP TO MISSION AND LONG-RANGE PLANNING

This project is in direct support of the School of HPER and Bloomington campus teaching, research, and service missions.

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| Project Summary: | | | |
| Space in Project: | 22,000 GSF | | |
| | 16,080 ASF | | |
| Project Cost: | \$6,340,000 | | |
| Sources of Funds: | Debt Issued through Certificates of Participation | | \$5,267,000 |
| | Gift Funds | | \$573,000 |
| | <u>Indirect Cost Recovery Reserves</u> | | <u>\$500,000</u> |
| | Total | | \$6,340,000 |
| Estimated Debt Service: | N/A | | |
| Estimated Plant Expansion: | N/A | | |
| Expected Schedule: | Begin Construction: | | October 2009 |
| | Completion: | | October 2010 |

STAFF ANALYSIS:

1. This project is important to IU's ability to renovate and repurpose existing facilities on the Bloomington campus. The School of Health, Physical Education and Recreation (HPER) is experiencing a serious shortage of faculty/staff offices and laboratory space. The growth in HPER program enrollment suggests a real need for additional offices and classroom space to meet the academic needs of students and faculty.
2. This is an R&R project. The Commission has encouraged our public institutions to take care of the existing facilities on campus, and repurposing space where appropriate, as opposed to building new space. This is a creative use of space now underutilized.
3. The facility would be funded through \$573,000 in gift funds, \$500,000 in indirect cost recovery reserves and \$5,267,000 in debt issued through the Indiana University Building Corporation (IUBC), a university affiliated entity created by IU for this purpose. The Indiana University Board of Trustees approved creation of a new Special Purpose Entity, known as the Indiana University Building Corporation (IUBC), which would issue debt in the form of Certificates of Participation (COPs) to fund the balance of the construction costs. Indiana University would then enter into a lease-purchase agreement with IUBC to lease-purchase the renovated facility space, with a lease amount necessary to pay the debt service. This is the third project that IU has proposed funding through this financing model.
4. Construction project and financing, even though the financing is being done through the IUBC, would still be subject to review by the Commission for Higher Education, the State Budget Committee, the State Budget Agency, the Indiana Finance Authority and the Governor.
5. Indiana University would pledge "available funds" toward repayment of the debt. "Available Funds" include, but are not limited to, "unrestricted operating fund balances, auxiliary fund balances and certain other fund balances" of the University. While Indiana University is a large organization with diverse and substantial sources of revenue and expenditures, the University is able to identify interest earned from separate and individual sources of revenue and funds. Therefore, while the University is able to pledge a larger amount of funds, including "unrestricted operating fund balances", Indiana University pledges that they will not use mandatory student fees, state appropriations or the interest earning therefrom. Ultimately, however, all pledged assets would be responsible for the lease costs. The Capital Projects and Land Acquisition Fund at Indiana University receives its funding from interest earnings on certain university fund balances, which exclude earnings from mandatory student fees and state appropriations. The revenue stream to pay the lease-purchase payments (and therefore the debt on the facility) comes from the same sources that fund the Capital Projects and Land Acquisition Fund. The funds from which interest earnings may accrue include the following:

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| National Survey Center | Bookstores |
| Child Care Centers | Auditorium |
| Bradford Woods | Indiana Memorial Union |
| Intercollegiate Athletics | Natatorium & Sports Services |
| Tennis Center | University Place Hotel |
| Ogle Cultural and Community Center | Conference & Catering |
| Real Estate/ Rental Property | Copy & Duplicating Services |
| Indiana Daily Student Newspaper | Indiana University Press |
| Printing & Duplicating Services | University Printing Services |
| Residential Program Services | Parking & Vehicle Services |
| Clinical Medical Services | Insurance Reserves |
| Voice & Telecommunications | |

6. Other sources of revenue to Indiana University, including state appropriations and mandatory student tuition and fees, are not pledged to the COPs. However, in the event that the pledged revenues become insufficient to repay the COPs, all sources of the university would likely be drawn to repay the COPs.