

## **EXECUTIVE SUMMARY**

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**INFORMATION ITEM:** PROPOSED REVISIONS TO BOARD POLICY CHAPTER VII, BUILDINGS, INFRASTRUCTURE, AND LAND (FIRST READING)

**ISSUE:** Pursuant to the creation of a new Capital Committee, the Board is asked to review and consider the proposed modifications to Board Policies Chapter VII, Buildings, Infrastructure, and Land.

### **BACKGROUND:**

The Central Office, working with representatives from Arizona State University, Northern Arizona University, and the University of Arizona, has developed a set of policy changes that will charge and delegate authority to the new Capital Committee. The new Capital Committee Charter is included as revised section 7-103 (pages 15-17) and defines the purpose, organization, goals, authority and responsibilities of the new committee. The policy changes that support the new Capital Committee and enhance the capital development process include:

- Increasing the monetary definition of a capital project from \$1 million to \$2 million, (page 4)
- Inserting “Master Plan” and “Capital Improvement Plan” to the defined phases of the capital development process and Capital Committee review (page 9) and identifying the committee’s purview regarding university strategic plans (page 17)
- Inserting additional definition and oversight to third-party party projects by enhancing the required justification and requiring Capital Committee review followed by Board hearing for approval (pages 10-11)
- Addressing modifications requested by universities such as increasing the pre-CDP submission expenditure limit to \$250,000 (page 23) and the post-CDP approval expenditure limit to \$500,000 (page 24).
- Defining the Capital Committee role during the Project Implementation Approval (PIA) request phase:
  - PIA requests are reviewed by the Capital Committee and approved by the Board (page 26):
  - Revised PIA’s for projects with a budget increase less than 5% of the total project cost may be approved by the Capital Committee (pages 26-27)
  - Revised PIA’s for projects with a budget increase greater than 5% of the total project cost shall be reviewed by the Capital Committee and approved by the Board (page 27)

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- Defining the Capital Committee role during the Project Approval request phase:
  - Projects with a total project cost between \$2 million and \$20 million may be granted Project Approval by the Capital Committee (page 28)
  - Projects with a total project cost greater than \$20 million shall be reviewed by the Capital Committee and approved by the Board (page 28)
  - After Project Approval has been granted, Capital Committee approval is required for increases in total project cost that do not exceed five percent of the estimated total project cost (page 29)
  - After Project Approval has been granted, Board approval is required for increases in total project cost that exceed five percent of the estimated total project cost (page 29)
- Defining the Capital Committee role during the Project Construction phase:
  - Capital Committee approval is required for increases in total project cost that do not exceed five percent of the estimated total project cost. (page 30)
  - Board approval is required for increases in total project cost that exceed five percent of the estimated total project cost (page 30)
- Raising the oversight threshold for the purchase of real property from \$250,000 to \$500,000 and authorizing the Capital Committee to approve purchases of real property valued between \$500,000 and \$1 million (page 36)
- Raising the oversight threshold for all new leases from \$250,000 to \$500,000 per year and establishing the Capital Committee's authority to review all leases prior to Board approval (page 41)
- Updating the policy relevant to changes in State requirements (biennial CIP vs. annual CIP) and removing vestigial policy requirements that are no longer applicable (multi-year bonding) (various sections)

### **RECOMMENDATION:**

The proposed revisions to Board Policy Chapter VII, Buildings, Infrastructure, and Land are submitted for first reading as presented in this Executive Summary.

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CHAPTER VII  
BUILDINGS, INFRASTRUCTURE AND LAND

A. CAPITAL PLANNING AND DEVELOPMENT PROCESSES

7-101 Definitions

- A. Alternative Construction Delivery Methods: Building Delivery Processes that vary from the more standard Design-Bid-Build model. These may include Construction Manager-At-Risk and Design-Build.
- B. Architectural Program: The program is based on in-depth discussion with all identified building users and detailed analysis of standards and guidelines. It expands and redefines the facilities program to fully explain and document the following minimum requirements:
  - 1. Required size, use, occupancy, and furnishing/equipment requirements of all spaces.
  - 2. Required relationships of spaces to other spaces.
  - 3. Required utility services for all spaces and investigations into available utilities.
  - 4. Environmental requirements for all spaces.
  - 5. Traffic/circulation requirements within and without the building. Building service requirements.
  - 6. Tabulation of all net assignable areas.
  - 7. Explanation of probable required non-assignable spaces.
  - 8. Calculation of probable gross building area.
  - 9. Code analysis.
  - 10. Site analysis, including utilities, circulation, service, orientation, adjacent structures, etc.
  - 11. Program cost estimate.

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- C. Asbestos Abatement: Programs to encapsulate or remove asbestos containing materials which, if they become airborne or "friable", would constitute a health threat.
- D. Backfill Plan: A plan for how release space will be reoccupied, including an estimate of associated costs and source of funds.
- E. ~~Biennial~~ ANNUAL Capital Improvement Plan (CIP): Every ~~two~~ years the universities are required to prepare a Capital Improvement Plan that contains proposals for spending on land acquisition, capital projects, energy systems, energy management systems and building renewal. This CIP is to include a ~~two~~ ONE-year plan and at least a two-year forecast of proposed capital activity.

*Change from "Biennial" to "Annual" brings the Policy into alignment with State statute and satisfies the technical change request made by the universities.*

- F. Building Renewal: Major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine maintenance, or demolition and removal of a building.
- G. Capital Development Plan (CDP): A plan for identifying capital building projects that each university intends to initiate during the following fiscal year, including a fiscal management plan.
- H. CAPITAL COMMITTEE: A COMMITTEE COMPOSED OF FOUR OR MORE REGENTS CHARGED TO PROVIDE COMPREHENSIVE REVIEW AND APPROVAL OF THE CAPITAL DEVELOPMENT PROCESS, WHERE DELEGATED BY BOARD POLICY, INCLUDING CAPITAL PROJECTS, REAL PROPERTY TRANSACTIONS, AND FINANCING ACTIVITIES.

*Definition of the new Capital Committee – see Section 7-103 for further detail*

- HI. Capital Projects: Buildings, structures, facilities, infrastructure and areas constructed, renovated, or improved for the use or benefit of the Arizona Board of Regents, the universities under its jurisdiction, and the State of Arizona. (Major capital projects are those projects with a total project cost of \$1 TWO million or greater.)
- IJ. Construction Documents: Those documents used for the solicitation of bids and the subsequent construction of a project. These include the bidding documents, contract forms, technical and general specifications, drawings,

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any addenda issued during the bidding process and any approved change orders.

- JK. Debt Ratio (ABOR): The numerator of the debt ratio shall include all capital debt payments for a fiscal year and the denominator shall be comprised of all unrestricted current expenditures and mandatory transfer.

*Clarification that the Debt Ratio defined is the ABOR required ratio, not the State ratio*

- KL. Deferred Maintenance: Facility condition deficiencies identified through physical inspections where deterioration and/or life safety concerns are evident and affect the proper functioning of the facility. Typical building components with deficiencies include: heating, ventilation and air conditioning, roofs, flooring, walls, ceiling and lighting, electrical and plumbing. Deferred maintenance does not include routine maintenance needs.
- LM. Demolition: The removal of all or any part of a structure for any purpose.
- MN. Disabled Access: Refers to making buildings and facilities accessible to individuals with disabilities, consistent with the Americans with Disabilities Act, through the elimination of architectural and communication barriers to the extent those barriers prevent access to programs, services and activities. Examples of modifications addressed to allow access by those with mobility impairments may include, but are not limited to: doorways, accessible paths of travel, restrooms, and seating areas. Other examples are modifications to accommodate individuals with visual and hearing impairments and may include, but are not limited to special signage, telecommunications, emergency alarms, and elevator modifications.
- NO. Facilities Program: Identifies future space requirements using the Regents' Space Guidelines, and other relevant planning guidelines. The program considers facility use information, projections of future use, and other related characteristics. The program document shall include, at a minimum, the following:
1. An identification of the total amount of space in terms of quality and quantity (count of rooms and net assignable square feet by room type).
  2. An estimate of net assignable square feet by room type and total gross square feet.
  3. Justification of space needs.

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4. Enrollment activities, research projections, and/or other information, and how these support facility and/or campus needs.
  5. Reference to relevant standards and guidelines from comparable institutions as appropriate (e.g., Regents' Space Guidelines, CEFPI).
  6. Discussion of locational determinants for the facility and for the principal elements within the facilities program.
  7. Documentation of special physical requirements which would influence project costs. Other information necessary for the solicitation of architectural and engineering services.
  8. A preliminary total project cost estimate based upon the above information.
- OP. Fiscal Management Plan: A plan that identifies and justifies the source of funds, financing instruments, term and approaches (e.g., lease-lease/back), annual debt service, source of funds for debt service coverage, impact on tuition and annual operations and maintenance costs (including source of funds) for any capital project a university proposes to undertake. The plan will also address the potential impact of the project on university debt capacity and bonding authority (if applicable).
- PQ. Fixed Equipment: Consists of permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, bulletin boards, kitchen cabinets, environmental walk-in boxes, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, chalkboards, backbone telecom/data/systems and electrical systems, fume hoods, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location.
- QR. Furniture/Fixtures and Equipment (FF&E): Moveable furniture, fixtures, or equipment that requires no permanent connection to utilities or to the structure. They may require utility outlets, but are plug-in types. Examples include but are not limited to: moveable or non-fixed theater or classroom seating, electronic equipment, desks, chairs, bookcases, files, waste receptacles, easels, partitions, refrigerators, tables, credenzas, stools, typing stands, computer stands and other furniture, including interior wall/furniture systems. FF&E also includes scientific or technical equipment such as autoclaves, centrifuges, lasers, spectrometers, shop equipment/tools, kilns, and microscopes.

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- RS. Infrastructure: Nonbuilding improvements that directly support operating a facility that is listed in the annual building system such as, but not limited to, utility delivery systems, (e.g., steam and chilled water) roadway systems, external lighting systems, irrigation systems, sidewalks and parking lots. Additional campus infrastructure includes: campus grounds, other circulation systems (bike paths, pedestrian routes, etc.), and parking structures.
- ST. Land acquisition: The procurement of real property by gift, grant, purchase, lease purchase, condemnation or other lawful means.
- ⌘U. Life Safety/Code Upgrades: Those items specifically related to compliance with life safety codes. Examples include but are not limited to: elimination of dead-end corridors, improvement of building exits, installation of fire sprinklers in existing construction, eliminating hazardous conditions, etc.
- ⌘V. Major Maintenance: The periodic need to repair/rework building and infrastructure systems or components. Examples include but are not limited to: reroofing, disassembling and rebuilding air-conditioning system water chillers and other long-term maintenance requirements.
- ∨W. Master Plan: A document setting forth the concepts and guiding principles for future land use and development of campus facilities and infrastructure.
- ~~W. Multi-Year Bonding Plan: A plan which identifies projected university capital project bond issuances for future fiscal years. The multi-year bonding plan shall reflect the university's Capital Improvement and Capital Development Plans.~~

*With the introduction of a debt ratio limit, the universities discontinued "Multi-Year Bonding Plans"*

- X. New Construction: The creation of a new facility or the addition, expansion, or extension of an existing facility that adds to the building's overall gross square footage. Examples include but are not limited to: additions to existing facilities, construction of portable or temporary buildings, etc.
- Y. Release Space: Space vacated in the existing inventory of campus buildings as a result of new space being added to that inventory (e.g., new construction, lease, etc.).
- Z. Renovation: The reworking of an existing building or portion of an existing building, including the upgrading of major systems, which extends the useful life. Renovation includes the major replacement, or upgrading of building

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systems, components, or fixed equipment that is necessitated by facility obsolescence, change in use, ADA REQUIREMENTS, code requirements, physical plant wear-out, and/or related interior space modifications and aesthetic improvements. Examples include but are not limited to: demolition of the interior of a building or portion thereof including the removal and subsequent replacement of electrical, plumbing, heating, ventilating and air conditioning systems, fixed equipment, floor coverings and interior walls and partitions (whether fixed or moveable). The renovation of historic buildings that meet the evaluation criteria listed in the National Register of Historic Places shall be performed in accordance with the Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings and in consultation with the State Historic Preservation Office.

*Addition of "ADA Requirements" requested by the universities.*

- AA. Routine/Preventive Maintenance: The recurring need to keep in good repair building and infrastructure systems or components. Examples include but are not limited to: replacement of cooler pads, air filters, light bulbs, drive belts, lubrication, painting schedules, elevator maintenance, and other required scheduled maintenance.
- BB. Shell Space: Building space that has not been finished as part of the original construction project. Examples include but are not limited to: unfinished areas of a building such as floors and basements.
- CC. Sub-area Plan: A plan representing a portion of the campus that is less than the area covered by the Master Plan. Sub-area planning shall provide additional details and the necessary information for implementing the concepts and principles established by the Master Plan.
- DD. Total project cost: The full cost of a project that includes all direct construction costs (material, labor, site development, utilities, and infrastructure, extension, inflation adjustment, etc.) and indirect costs (land acquisition, architectural and engineering fees, furniture/fixtures & equipment, contingencies, etc.)

*In current Board policy, Section 7-106 provides the overview of the capital development process. These modifications propose moving the overview to the second section of Chapter VII where it is more logically placed right behind the definitions provided to better understand the process.*

7-1062 Overview of the Capital Development Process and Phases

- A. Description:

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1. The capital development process is divided into ~~five~~ SEVEN phases: MASTER PLAN, CAPITAL IMPROVEMENT PLAN, Capital Development Plan Approval, Project Implementation Approval, Project Approval, Project Construction, and Project Closeout.

*Addition of the Master Plan and Capital Improvement Plan fully integrates the capital development process by including the capital project related activities that are administered by the Strategic Planning Committee of the Board.*

2. DURING THE MASTER PLANNING PHASE, THE CAPITAL COMMITTEE AND THE BOARD FOCUS ON THE RELATIONSHIP BETWEEN THE UNIVERSITY'S MISSION STATEMENT, STRATEGIC PLAN, AND CAMPUS PHYSICAL DEVELOPMENT PLANS.
3. DURING THE CAPITAL IMPROVEMENT PLAN (CIP) PHASE, THE CAPITAL COMMITTEE AND THE BOARD FOCUS ON THE EXISTING CONDITION, UTILIZATION AND EXPENDITURE OF CAPITAL RESOURCES AT EACH OF THE UNIVERSITIES. THE CIP INCLUDES A REPORT ON THE UNIVERSITY'S LAND AND LEASING ACTIVITIES, BUILDING RENEWAL NEEDS, AND DEFERRED MAINTENANCE ACTIVITIES. IN EACH REPORT, THE UNIVERSITIES IDENTIFY PROPOSED CAPITAL PROJECTS FOR THE COMING FISCAL YEAR AND FORECAST CAPITAL PROJECTS THAT MAY BEGIN IN THE SUBSEQUENT TWO FISCAL YEARS.
24. During the Capital Development Plan Approval phase the CAPITAL COMMITTEE AND THE Board focuses on the strategic planning perspective for proposed capital projects for the coming fiscal year. The university identifies potential capital projects that contribute to the attainment of the university mission statement and strategic plan, justifies the project need, and presents preliminary total cost implications for the university and the state. Capital Development Plan approval allows the university to proceed to the Project Implementation Approval phase.
35. During the Project Implementation Approval phase the university defines elements of the project scope, schedule and budget and proceeds with completion of schematic design. Project Implementation Approval allows the university to proceed to the Project Approval phase.

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46. During the Project Approval phase the university completes the design and prepares construction documents. The Project Approval document serves as notification that the project is ready to advertise for bids, or acceptance of the final guaranteed maximum price, and enter the Project Construction phase. ~~The Executive Director or designee shall determine the level of Board review for this phase (presentation approval, consent approval, or information only) based upon total project cost, schedule, scope, and other considerations as warranted.~~
57. During the Project Construction phase the university awards contracts, and constructs the project in accordance with ABOR Policy 3-804, - Design Services and Construction Services Procurement.
68. During the Project Closeout phase the university obtains substantial completion, completes building commissioning, final inspection, accepts and occupies the facility, and provides final payment to the consultants and contractors. The university performs a review and formal evaluation of the consultants' and contractors' performances.

B. Projects That Require Board Approval

1. All capital projects with an estimated total project cost of \$42 million or more shall be brought to THE CAPITAL COMMITTEE AND the Board for approval regardless of funding source or financing structure. New construction and renovation projects with an estimated total project cost of \$4 2 million or more shall be submitted for Capital Development Plan Approval.

*The threshold for Capital Projects is raised from \$1 million to \$2 million. Future increase may be contemplated as circumstances warrant.*

2. Projects that originally were not required to enter the capital development process, but subsequently are forecasted to exceed the dollar thresholds as described above, must be submitted for CAPITAL COMMITTEE REVIEW AND Board approval. ~~The universities shall seek guidance from the Central Office to determine what approvals are necessary.~~
3. ~~Notwithstanding the above provisions, each university has the option to propose for Board consideration and approval an alternative process for these Projects where the Board and the university share with other entities (Federal, State, local, development groups, public/private ventures, etc.) the control, financing, or ownership~~

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(current or future) of the project and/or its delivery process SHALL BE REVIEWED BY THE CAPITAL COMMITTEE AND APPROVED BY THE BOARD. The university shall seek guidance from the Central Office to document the proposed process for Board consideration. That process, at a minimum must:

*A two-step approval process after inclusion in a CDP insures that the Capital Committee has thoroughly reviewed the project and vetted any issues prior to Board consideration.*

- a. DEFINE THE SCOPE AND justify the need for the project;
- b. DESCRIBE THE SCHEDULE AND provide appropriate CAPITAL COMMITTEE ~~Board~~ oversight as the project develops THROUGH PROJECT UPDATES INCLUDED IN THE QUARTERLY CAPITAL PROJECT STATUS REPORT including significant milestones;

*Inclusion in the Quarterly Report provides opportunity for Capital Committee oversight*

- c. Recognize and describe the unique requirements of the other entities which may be involved in the project; ~~and~~
- d. PROVIDE PROJECT BUDGET ESTIMATES PREPARED BY QUALIFIED PROFESSIONALS;
- e. PROVIDE FISCAL IMPACT AND PROJECT FINANCING PLANS, AND OTHER RELATED DATA THAT INCLUDES, BUT IS NOT LIMITED TO FUNDING SOURCES AND ESTIMATED OPERATION AND MAINTENANCE COSTS;
- f. DESCRIPTION OF OTHER RELATED PROJECTS INCLUDING RELATED INFRASTRUCTURE IMPROVEMENTS;

*Added to insure that the Regents are aware of other, supportive projects that may be necessary to the success of the 3<sup>rd</sup> party project.*

- g. IDENTIFY ALL SIGNIFICANT CHANGES SINCE CAPITAL DEVELOPMENT PLAN APPROVAL AND
- dh. provide a reasonable opportunity for competition.

*Additional justification for these projects insures that the Capital Committee and the Board has the same quality of information as projects funded through debt financing.*

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C. Related Projects

1. The universities are responsible for defining the parameters (size, cost and discrete elements) of capital projects with the following provisions:
  - a. The parameters of a project shall not be defined with the objective to bypass or minimize the requirements set forth in Board policy.
  - b. The overall plans and costs for related and/or phased projects should be documented for consideration by the CAPITAL COMMITTEE Board.
2. If the Board grants Capital Development Plan Approval for a group of related projects, Project Implementation Approval and Project Approval are necessary for any phase that exceeds \$4.2 million. Projects within a project group shall share common attributes, such as location, project type, etc. Projects with no common attributes may not be bundled into one project group.

D. Description of Project Financing:

1. Universities must designate funding sources, including annual debt service if required to construct each project proposed in the Capital Development Plan. Notwithstanding this designation by the universities, THE CAPITAL COMMITTEE MUST REVIEW, AND the Board must approve the specific issuance of bonds, lease-purchase agreements, certificates of participation, or any debt instrument regardless of total project cost.

*The change will result in Capital Committee review of all requests for debt financing prior to Board approval*

2. Request for debt issuance approval may not occur prior to Project Implementation Approval. The universities must disclose fully the estimated costs of the project and the debt issuance, information on debt capacity, outstanding debt levels, and debt service payments.
3. Any capital project proposed to be funded with debt may not increase the university's debt ratio to more than ten percent (10%) for any year for the upcoming five years.

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4. The final maturity of any capital financing undertaken by a university will not exceed the estimated useful life of the capital asset being acquired or constructed.
5. In requesting authority for capital debt, each university shall provide written justification for the debt instrument requested that will include the assumptions made for the source of resources for the repayment of the debt, and the fiscal impact.
6. If projects require specific Legislative REVIEW approval:

*Since the JCCR has no authority to actually approve a project, the Board policy should reflect the actual authority of the Legislative committee. "Approve" is replaced with "Review".*

- a. The projects ~~may~~ SHALL be presented to the Legislature, or its designated committee, for ~~approval~~ REVIEW anytime after receiving Project Implementation Approval from the CAPITAL COMMITTEE OR THE Board.
- b. The projects shall have Legislative ~~approval~~ REVIEW prior to ~~requesting approval from the Board to issue bonds, and prior to~~ construction.

*Restructuring of the JCCR review to insure a project has Board support and to reduce the likelihood of an additional JCCR review if the total project cost increases between PIA and PA*

- (1)c. Both the request for Legislative ~~approval~~ REVIEW and the request to the Board for bond issuance shall display full disclosure of the estimated costs of the project, and if applicable, the bond issuance.
  - (2)d. Use of bond authority for a project in excess of the amount initially approved by the Board and REVIEW BY the Legislature will require Board approval prior to seeking ~~approval~~ REVIEW from the Legislature.
- E. Total Project Cost Estimating:
1. The *Regent's Construction Cost Control and Professional Fee Guidelines* (Guidelines) shall be considered in developing cost estimates and calculating building replacement values. In addition, other industry cost guidelines or internal historical data may be used,

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- including inflation factors to ensure the reasonableness of the cost estimates.
2. The Guidelines are published separately and contain fee schedules for architects/engineers, construction managers and contingencies; inflation factors; building and space specifications; and cost matrices for construction of exterior and interior spaces.
  3. The Guidelines shall be reviewed and updated by an outside cost estimating consultant. Revisions shall be initiated by the Central Office and universities, and approved by the Executive Director.
- F. Public Art for Major Capital Projects
1. Funds to provide public art may be budgeted for any major building to be constructed or renovated. Major buildings are those with total project costs of \$1 million or greater.
  2. Funds will be for the purpose of placing, maintaining, repairing, removing or inventorying works of art (murals, frescoes, sculptures, fountains, mosaics, etc.) in or around university facilities.
  3. The funded amount for public art shall not exceed one-half of one percent (0.5%) of the construction cost for any major building.
- G. Building Design for persons with Disabilities: All new buildings and structures constructed or renovated at each institution shall comply with the provisions of The Arizonans with Disabilities Act of 1992, A.R.S. '41-1492 et seq., and any amendment thereof relating to making public buildings accessible and functional for the disabled.
- H. Plaques For Buildings: Plaques installed on new buildings at each institution shall carry the names of the Governor and other Members of the Board in office at the time the construction contract was awarded, together with the President of the institution, the architect, the contractor, and other participants deemed appropriate.
- I. Forms referenced in Chapter VII: Under the direction of the Executive Director, the Central Office and the universities have the responsibility to update and improve the various reports referenced in Board policy with the objective of presenting information to THE CAPITAL COMMITTEE AND the Board in an effective format and manner.

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7-103 CAPITAL COMMITTEE CHARTER

A. PURPOSE

TO ASSIST THE BOARD IN FULFILLING ITS OVERSIGHT AND MONITORING RESPONSIBILITIES FOR THE UNIVERSITY SYSTEM'S CAPITAL DEVELOPMENT AND REAL PROPERTY ACTIVITIES BY PROVIDING A MORE IN-DEPTH UNDERSTANDING OF EACH UNIVERSITY'S PLANNED USE OF EXISTING CAPITAL RESOURCES, PRIORITIES FOR CAPITAL CONSTRUCTION, REAL PROPERTY TRANSACTIONS, AND THE ANALYSIS THAT SUPPORTS EACH REQUEST RELATING TO THESE ACTIVITIES.

B. ORGANIZATION

THE CAPITAL COMMITTEE SHALL CONSIST OF THE CHAIR OF THE RESOURCES COMMITTEE, THE CHAIR OF THE STRATEGIC PLANNING COMMITTEE, ONE OR MORE REGENTS APPOINTED BY THE PRESIDENT OF THE BOARD, AND THE VOTING STUDENT REGENT. ONE MEMBER OF THE COMMITTEE SHALL BE APPOINTED BY THE PRESIDENT OF THE BOARD TO SERVE AS CHAIR.

C. GOALS

THE CAPITAL COMMITTEE SHALL ASSIST THE BOARD IN DISCHARGING ITS SYSTEM-WIDE OVERSIGHT AND MONITORING RESPONSIBILITIES BY:

1. PROMOTING A COORDINATED, EFFICIENT, AND EFFECTIVE METHOD OF PLANNING AND UTILIZING EXISTING CAPITAL RESOURCES.
2. PROMOTING AN EFFECTIVE AND CONTINUOUSLY IMPROVING CAPITAL DEVELOPMENT PROCESS FOR ACHIEVING THE UNIVERSITY SYSTEM'S GOALS AND OBJECTIVES.

D. MEETING

THE CAPITAL COMMITTEE SHALL ADOPT AN ANNUAL CALENDAR OF MEETINGS CONSISTENT WITH THE CAPITAL DEVELOPMENT PROCESS AND REQUIRED BOARD APPROVALS. THE CAPITAL COMMITTEE SHALL HOLD ADDITIONAL MEETINGS AS CIRCUMSTANCES REQUIRE.

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E. CAPITAL COMMITTEE AUTHORITY AND RESPONSIBILITIES

AUTHORITY AND RESPONSIBILITIES OF THE CAPITAL COMMITTEE SHALL INCLUDE THE FOLLOWING:

1. REVIEW AND RECOMMEND POSSIBLE CHANGES OR ADDITIONS TO THE EXISTING BOARD POLICY FRAMEWORK REGARDING THE CAPITAL DEVELOPMENT PROCESS, REAL PROPERTY ACTIVITIES, AND FINANCING TRANSACTIONS.
2. ACT ON THE FOLLOWING FROM THE CENTRAL OFFICE:
  - a. PERIODICALLY REVIEW AND REVIEW THE CAPITAL COMMITTEE'S CHARTER AS NEEDED.
  - b. MONITOR THE UNIVERSITY QUARTERLY CONSTRUCTION PROGRESS REPORTS.
3. REVIEW THE FOLLOWING FROM EACH UNIVERSITY:
  - a. STRATEGIC PLAN UPDATE (ANNUALLY),
  - b. MASTER PLAN UPDATE (EVERY FIVE YEARS),
  - c. CAPITAL IMPROVEMENT PLAN (ANNUALLY)
  - d. CAPITAL DEVELOPMENT PLAN (ANNUALLY)
  - e. CAPITAL DEVELOPMENT PLAN REVISIONS (WHEN ISSUED),
  - f. PROJECT IMPLEMENTATION APPROVAL REQUESTS,
  - g. PROJECT APPROVAL REQUESTS,
  - h. REQUESTS TO PURCHASE/SELL/EXCHANGE REAL PROPERTY,
  - i. REQUESTS TO LEASE SPACE,
  - j. PROJECTS WHERE THE BOARD AND THE UNIVERSITY SHARE WITH OTHER ENTITIES THE CONTROL, FINANCING, OR OWNERSHIP OF THE PROJECT AND/OR ITS DELIVERY PROCESS,

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- k. DEBT-FINANCING AUTHORITY (BONDING, LEASE-PURCHASE, CERTIFICATES OF PARTICIPATION),
  - l. INTERGOVERNMENTAL AGREEMENTS RELATING TO CAPITAL PROJECTS AND REAL PROPERTY ACTIVITIES, AND
  - m. SPACE UTILIZATION REPORT (ANNUALLY).
4. THE CAPITAL COMMITTEE SHALL HAVE APPROVAL AUTHORITY WITH RESPECT TO INDIVIDUAL CAPITAL PROJECTS, REAL PROPERTY TRANSACTIONS, AND OTHER MATTERS AS AUTHORIZED BY BOARD POLICY.

7-1024 Strategic Planning

- A. Each year the Board shall review and, if necessary, update systemwide strategic directions and action plan objectives.
- B. Each year the universities shall review and, if necessary, update their mission statements and strategic plans.
- C. The Board shall review these updated mission statements and strategic plans to ensure that they are consistent with system wide goals and reflect current priorities.
- D. The universities shall, in consultation with the Central Office, develop consistent minimum reporting requirements for university strategic plans. Strategic plans shall identify major capital and operating implications of key strategies, e.g., comprehensive plans, sub-area plans. THE CAPITAL COMMITTEE SHALL REVIEW THE PORTIONS OF UNIVERSITY STRATEGIC PLANS RELATING TO THE IMPLIED OR PROPOSED CAPITAL PROJECTS AND OPERATIONAL IMPACTS TO THE UNIVERSITY'S MASTER PLAN AND CAPITAL DEVELOPMENT PLAN.

*This specifically authorizes the Capital Committee to review those portions of the universities' Strategic Plans relating to capital development*

- E. Capital projects must contribute to specific strategic objectives or satisfy other important criteria such as meeting life safety requirements or correcting existing deficiencies.

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- F. University procedures for setting preliminary project priorities shall include processes to update mission statements and strategic plans, identify project proposals, and produce a preliminary project ranking.

7-1035 Master Plans

- A. Master Plans will be developed by the universities for main and branch campuses to guide their development.
  - 1. Master Plans for other large parcels of university land outside of the campus planning boundaries shall be developed.
  - 2. Sub-area Plans within the campus planning boundaries shall be developed as the universities deem necessary.
  - 3. Master and Sub-area Plans should ~~lay-out~~ DEFINE the direction, physical needs, land acquisition, and overall approach of the university for a ten to ~~twenty~~ year timeframe. Campus physical development plans should be based on the academic and research services the institution intends to provide, on the student population it projects to serve, and on the image the university leadership wishes to project.

*Master Planning beyond timeline modified to reflect current planning process*

- B. Master Plans shall be brought to the CAPITAL COMMITTEE FOR REVIEW, AND TO THE Board for approval.

*This specifically authorizes the Capital Committee to review those portions of the universities' Master Plans relating to capital development*

- 1. The universities will maintain an ongoing planning process and conduct comprehensive plan reviews and updates at approximately five-year intervals.
  - a. Significant revisions or changes in concepts to the approved Master Plans shall be presented to THE CAPITAL COMMITTEE AND the Board for review.
  - b. Significant revisions to a Plan are generally defined as a change in use of a particular area other than proposed in the most recent Board-approved Plan.

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2. A university or campus that completes a Master Plan is required to present the plan at that time. Presentation of the plan would occur at the first of two Board meetings, with approval being granted at the second.
  3. Information shall be provided to the CAPITAL COMMITTEE AND THE Board regarding the public hearings and meetings with the local community on the proposed Master Plan, if such meetings have been deemed appropriate by the university. Major areas of public concern should be explained as well as how the final Plan addresses those concerns.
  4. The Master Plan shall support the university's mission statement and strategic plan.
- C. Sub-area Plans shall be brought to the CAPITAL COMMITTEE FOR REVIEW, AND TO THE Board for approval under the following circumstances:
1. Plans deviate from the guidelines established by the approved Master Plan.
  2. Plans pose a potential for identifiable impact on the local municipalities and/or communities, either adjoining or remote from campus boundaries. This impact shall be discussion as appropriate.
- D. Board approval of a Plan still requires specific approvals of individual projects as outlined in this chapter of Board policy.
- E. Approval of specific design standards or architectural guidelines which may be referenced in a Plan shall be delegated to the university president after the Plan is approved.
- F. In developing Master Plans and Sub-area Plans, the universities should take into consideration ~~potentially adverse~~ environmental impacts which may result from implementation of the Plan, and propose mitigation measures where appropriate.

*All environmental impacts have the potential to be adverse – remove the negative connotation*

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- A. Each university will complete a ~~biennial~~ ANNUAL Capital Improvement Plan as required by state statute.
- B. The ~~biennial~~ ANNUAL Capital Improvement Plans serveS three main functions:
  - 1. To serve as A reference document for current facilities inventory and related financial management information;
  - 2. To request general fund monies, including building renewal, from the state; and
  - 3. To identify capital projects the universitYies intendS to implement during the next ~~biennium~~ FISCAL YEAR along with a forecast of proposed activities IN THE FOLLOWING TWO FISCAL YEARS.
- C. Process:
  - 1. Guidance shall include, but not be limited to:
    - a. Limitations on the general fund request;
    - b. Systemwide prioritization of the general fund request;
    - c. Requirements for necessary Board approvals or requisite documents for project placement in the ~~Biennial~~ ANNUAL Capital Improvement Plans; and
    - d. Limitations on the amount of outstanding debt as demonstrated by the debt capacity reports.
- D. Each university will submit to the Board a fully developed Capital Improvement Plan in accordance with the calendar approved by the ~~Executive Director~~ CHAIR OF THE CAPITAL COMMITTEE. The Plan shall include the following elements:

*The calendar will be developed annually to insure that the universities are fully informed on meeting dates, submittal dates, report due dates and other significant milestones*

- 1. All Funds Summary
- 2. Building Renewal Report
- 3. Deferred Maintenance Report
- 4. Building Inventory
- 5. Lease Report

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6. Land Report
7. Capital Project Status Report
8. ~~Two~~ONE-Year Capital Plan plus a Two-Year Forecast
9. Project Descriptions, Justifications, Scope and Budgets
10. Debt Capacity

~~7-105 Capital Development Plans~~

- ~~A. In the spring of each year, each university shall submit an annual Capital Development Plan for the upcoming fiscal year in accordance with the calendar approved by the Executive Director.~~
- ~~B. Projects included the Capital Development Plan are generally carried forward from the previously approved biennial Capital Improvement Plan. However, projects that arise during the biennial time frame may be included in the Capital Development Plan if appropriate justification is provided to the Board.~~
- ~~C. No capital project can go forward if not identified in the Capital Development Plans.~~
- ~~D. The Capital Development Plan may be considered for mid-year revisions in accordance with a calendar established by the Executive Director. Revisions may include the addition of new projects, project budget adjustments, and deletion of projects.~~
- ~~E. A capital project need not be included in a Capital Development Plan once it has received project approval.~~
- ~~F. Each university may expend up to 2%, not to exceed \$100,000 of the estimated total project cost for advance planning and programming prior to placement of the project in the Capital Development Plan.~~

7-107 Capital Development Plan Approval Phase

- A. Applicability: The Capital Development Plan phase will be used for those projects meeting the requirements as previously defined in this chapter.
- B. SCHEDULE:
  1. EACH UNIVERSITY SHALL SUBMIT AN ANNUAL CAPITAL DEVELOPMENT PLAN FOR THE UPCOMING FISCAL YEAR IN ACCORDANCE WITH THE CALENDAR APPROVED BY THE EXECUTIVE DIRECTOR. CAPITAL DEVELOPMENT PLANS ARE

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REVIEWED BY THE CAPITAL COMMITTEE AND APPROVED BY THE BOARD.

2. PROJECTS INCLUDED IN THE CAPITAL DEVELOPMENT PLAN ARE GENERALLY CARRIED FORWARD FROM THE PREVIOUSLY APPROVED CAPITAL IMPROVEMENT PLAN.
3. NO CAPITAL PROJECT CAN GO FORWARD IF IT HAS NOT BEEN INCLUDED IN AN APPROVED CAPITAL DEVELOPMENT PLAN.
4. A CAPITAL PROJECT NEED NOT BE INCLUDED IN A CAPITAL DEVELOPMENT PLAN ONCE IT HAS RECEIVED PROJECT APPROVAL.
5. IF A PROJECT DOES NOT MOVE FORWARD FOR PROJECT IMPLEMENTATION APPROVAL IN THE APPLICABLE FISCAL YEAR, IT MUST BE RESUBMITTED FOR INCLUSION IN A SUBSEQUENT CAPITAL DEVELOPMENT PLAN.
6. THE CAPITAL DEVELOPMENT PLAN MAY BE CONSIDERED FOR MID-YEAR REVISIONS IN ACCORDANCE WITH A CALENDAR ESTABLISHED BY THE EXECUTIVE DIRECTOR. REVISIONS MAY INCLUDE THE ADDITION OF NEW PROJECTS, PROJECT BUDGET ADJUSTMENTS, AND DELETION OF PROJECTS.

**BC. Phase Description:**

1. Capital Development Plan Approval focuses on strategic planning perspective and shall be based on:
  - a. The mission, strategic plan, and master plan of the university;
  - b. Advance planning such as the initial development of a facility program and/or architectural program that justifies the project; and
  - c. The preliminary total cost including sources and uses of funds.
2. For Each project submitted for Annual Capital Development Plan Approval ~~each university shall submit~~ INCLUDE a concise Project Justification Report to the Board. This Project Justification Report shall be developed in cooperation with the Central Office to ensure materials address the needs of the CAPITAL COMMITTEE AND THE Board. The Project Justification report should justify the need for the

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project based upon the university's mission, strategic plan, and other supporting documentation. The Project Justification Report shall include the following information:

- a. Project need
- b. Programming and design costs, and exceptions (if required), to achieve project implementation
- c. Estimated project scope and cost
- d. Conformance with space guidelines
- e. Conformance with university missions, strategic plans, campus master development plans, and plans for community input
- f. Fiscal Management Plan: How the universities intend to fund the project, including annual debt service, and annual operations and maintenance costs
- g. Backfill Plan: The universities should identify potential programs, functional uses, or non-use (e.g., demolition of a building) of the space that is released as a result of the project
- h. Alternatives to Project: Explain what alternatives to the project were investigated, and why they were not selected. These alternatives can include, but not be limited to:
  - (1) Whether the program could be accommodated in existing space (e.g., rescheduling, more efficient use of space)
  - (2) Whether the program could be accommodated in off-campus lease space
  - (3) Consider if the space could be constructed in partnership with the private sector
- i. Description of other related projects INCLUDING RELATED INFRASTRUCTURE IMPROVEMENTS.

*Added to insure that the Regents are aware of other, supportive projects that may be necessary to the success of the project.*

3. In preparing for the Capital Development Plan submittal, the universities are authorized to expend up to two percent (2%) of the preliminary total project cost for outside professional and consultant services, but no more than ~~\$400,000~~ 250,000. Expenditures for outside services may be included in the project budget.

*At the universities' request, the dollar limit has been raised to address concerns that the \$100,000 limit is insufficient to appropriately perform the initial planning for large capital*

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*projects and the 2% limit is insufficient to appropriately perform the initial planning for small capital projects*

4. Substantially completed Capital Development Plan approval documents shall be submitted to the Central Office for review and comment no later than 45 30 calendar days prior to the pertinent CAPITAL COMMITTEE Board meeting. If the deadline is not met, the Executive Director CHAIR OF THE CAPITAL COMMITTEE shall have the option to withhold the documents for a subsequent Board CAPITAL COMMITTEE meeting.

CD. University Facility/Architectural Program Procedures

1. The universities will develop procedures to specify the information requirements and process for programming the facility.
2. A facilities/architectural programmer, who has experience in translating users' needs into space, room, and equipment requirements for similar facilities, should define the space requirements.
3. A programming committee should be established and structured to ensure that the specified program represents an appropriate tradeoff between users' desires and a plan that maximizes value to the university.
4. The program should include information specifying space requirements, other program requirements, and special requirements.

DE. Authority Granted by Capital Development Plan Approval

1. Capital Development Plan Approval represents Board approval of the project concept, scope, and preliminary total costs.
2. Capital Development Plan Approval authorizes the universities to hire outside consultant services to initiate the design, cost estimating, and/or alternative building delivery (i.e., construction manager-at-risk, design/build) processes through schematic design.
3. In preparing for the Project Implementation Approval submittal, the universities are authorized to expend FOR OUTSIDE PROFESSIONAL AND CONSULTANT SERVICES up to three percent (3%) of the estimated total project cost for professional and consultant services, but no more than OR \$500,000, WHICHEVER IS GREATER unless specifically authorized in the

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capital development plan submittal. These expenditure limitations are in addition to those authorized for Capital Development Plan Approval submittal.

*Modifications of the expenditure limits are to address concerns expressed by the universities that the \$500,000 and 3% limits are insufficient to appropriately perform the planning and design on capital projects that are carried out using the Construction Manager at Risk construction methodology. Construction Manager at Risk projects are characterized by the utilization of the contractor's expertise in an expedited design process so that a Guaranteed Maximum Price can be established prior to the Project Approval Request.*

~~4. If a project fails to move forward for Project Implementation Approval in the applicable fiscal year, it must be resubmitted for inclusion in a subsequent Capital Development Plan.~~

### 7-108 Project Implementation Approval Phase

- A. Applicability: The Project Implementation Approval phase will be used for those projects meeting the requirements as previously defined in this chapter.
- B. Phase Description:
  1. The Project Implementation Approval document shall include the following elements:
    - a. Prior CAPITAL COMMITTEE AND Board action
    - b. Project scope as identified in the schematic design phase
    - c. Project justification elements from the Capital Development Plan Approval
    - d. Project budget estimates prepared by qualified professionals
    - e. Updated fiscal impact and Project Financing Plan; other related project information that includes, but is not limited to funding sources and estimated operation and maintenance costs
    - f. Significant changes since Capital Development Plan Approval;
    - g. Project schedule.
  2. Substantially completed Project Implementation Approval documents shall be submitted to the Central Office for review and comment no later than 20 calendar days prior to the pertinent Board CAPITAL COMMITTEE meeting. If the deadline is not met, the CHAIR OF THE CAPITAL COMMITTEE Executive Director shall have the option to withhold the documents for a subsequent Board CAPITAL COMMITTEE meeting.

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3. PROJECT IMPLEMENTATION APPROVAL REQUESTS FOR ALL CAPITAL PROJECTS SHALL BE SUBMITTED FOR CAPITAL COMMITTEE REVIEW AND APPROVAL BY THE BOARD.

*Project Implementation Approval requests are still presented to the Board so Regents can review the project details and fully developed budget categories*

C. University Procedures:

Each university shall develop procedures to specify the required information and process for preparing the cost estimate for Project Implementation Approval. The procedures shall be designed to meet the following guidelines:

1. The construction manager and/or the design consultant shall normally prepare the project's estimate. A corroborating cost estimate must be obtained from an outside cost estimating or design consultant for all projects.
2. The estimates shall be reviewed and approved by in-house staff. An explanation in the Project Implementation Approval documents is required when the corroborating cost estimate differs from either the Regents' *Construction Cost Control and Professional Fee Guidelines* estimate or a separate estimate by five percent (5%) or more.
3. The universities shall develop and use a cost information database to record costs for capital projects.

D. Authority Granted by Project Implementation Approval:

1. Project Implementation Approval includes the authority to proceed with project financing and to contract for necessary consulting or other applicable services, and to complete the design, prepare construction documents and proceed to the Project Approval phase.
2. The university may transfer funds among expenditure categories in the total project budget without Board approval.
3. REVISED PROJECT IMPLEMENTATION Board approval is required for increases in THE estimated total project cost. THE CAPITAL COMMITTEE SHALL HAVE AUTHORITY FOR INCREASES UP TO 5% OF THE TOTAL ESTIMATED PROJECT COST; INCREASES

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GREATER THAN FIVE PERCENT (5%) SHALL BE APPROVED BY THE BOARD.

*As soon as it's clear that a capital project may exceed its total estimated project cost, the university shall bring the project back for a Revised Project Implementation Approval. The Capital Committee will review budget increases up to 5% and budget increases greater than 5% are to be presented to the Board in order to highlight potential issues in the project or process*

4. A project forfeits the authority granted by a Project Implementation Approval, and must be resubmitted for Board approval, if:
  - a. As a result of programming or other causes, the project requires reassigning or changing fifteen percent (15%) or more of the net assignable square feet, or
  - b. The project does not obtain Project Approval within twenty-four (24) months of being granted Project Implementation Approval.
5. ~~The university shall seek guidance from the Central Office to determine what approvals are necessary in the event that the estimated total project cost increases or a project forfeits Project Implementation authority.~~

*Guidance on necessary approvals stemming from budget increases or forfeiture are clearly identified in the above policy sections*

7-109 Project Approval Phase

- A. Applicability: The Project Approval Phase will be used for those projects granted Project Implementation Approval by the Board.
- B. Phase Description:
  1. The purpose of the Project Approval phase is to allow Board FOR review of updated project information and data as the university initiates the bidding process and moves toward contractor selection, contract award, and construction PROCESS.
  2. ~~The Project Approval document, as transmitted to the Central Office, serves as notification that the project is ready to advertise for bids.~~ Project Approval shall include the following steps:

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- a. Information and data presented in the Project Implementation Approval document is revised where necessary.
- b. Construction documents are near completion ~~or a guaranteed maximum price has been obtained utilizing the Design/Build or Construction Manager At Risk process.~~
- c. Bid advertising date is established FOR PROJECTS UTILIZING THE DESIGN/BUILD PROCESS; OR A GUARANTEED MAXIMUM PRICE HAS BEEN OBTAINED UTILIZING THE DESIGN/BUILD OR CONSTRUCTION-MANAGER-AT-RISK PROCESS.
- d. Project Approval documents are transmitted to the Central Office and reviewed with the university.

3. Level of Board Review

*The Project Approval authority by the Capital Committee replaces Executive Director's approval authority*

- a. ~~The Executive Director or designee shall determine the level of Board review for Project Approval (presentation approval, consent approval, or information only) based upon total project cost, schedule, scope, and other considerations as warranted.~~ PROJECTS WITH A TOTAL PROJECT COST BETWEEN \$2 MILLION AND \$20 MILLION MAY BE GRANTED PROJECT APPROVAL BY THE CAPITAL COMMITTEE BASED UPON THE BUDGET, SCHEDULE, SCOPE, AND OTHER CONSIDERATIONS AS WARRANTED. AT THE COMMITTEE'S DISCRETION, ANY PROJECT APPROVAL REQUEST MAY BE PRESENTED TO THE BOARD AS CIRCUMSTANCES WARRANT.

*Capital Committee's approval authority extends to projects up to \$20 million and is charged with the authority to transfer the approval request to the Board for exceptional projects*

- b. PROJECTS WITH A TOTAL PROJECT COST GREATER THAN \$20 MILLION SHALL BE REVIEWED BY THE CAPITAL COMMITTEE AND APPROVED BY THE BOARD.

*Approval authority for capital projects over \$20 million remains with the Board.*

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C. UNIVERSITY PROCEDURES:

- B1. If the project program has changed materially or the budget has increased BY MORE THAN FIVE PERCENT (5%) OF THE ESTIMATED TOTAL PROJECT COST since the granting of Project Implementation Approval, the university must seek CAPITAL COMMITTEE REVIEW AND Board approval prior to advertising for bids.
  
- G2. If the project is on budget, schedule, and within scope, the university may advertise for bids prior to review by the ~~Board~~ CAPITAL COMMITTEE but after submitting the Project Approval documents to the Central Office. This provision is provided for those situations where it can be demonstrated by the university that the accelerated schedule is likely to result in cost savings or advantages to the users. The university must include in the Project Approval documents a rationale for advertising for bids prior to ~~Board~~ CAPITAL COMMITTEE review.

GD. Authority Granted by Project Approval:

- 1. The university may advertise for bids and proceed to the Project Construction Phase.
  
- 2. CAPITAL COMMITTEE ~~Board~~ approval is required for increases in total project cost THAT DO NOT EXCEED FIVE PERCENT (5%) OF THE ESTIMATED TOTAL PROJECT COST.
  
- 3. A project forfeits the authority granted by Project Approval, and must be resubmitted for CAPITAL COMMITTEE REVIEW AND Board approval, if:
  - a. As a result of additive and deductive alternatives or other causes, the project requires reassigning or changing fifteen percent (15%) or more of the net assignable square feet, or
  
  - b. THE TOTAL PROJECT COST INCREASE IS GREATER THAN FIVE PERCENT (5%) OF THE ESTIMATED TOTAL PROJECT COST.

*Budget increases after Project Approval shall be presented to the Capital Committee or the Board in order to highlight potential issues in the project or process*

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bc. The university does not initiate construction within twelve (12) months of bid opening.

~~4. The university shall seek guidance from the Central Office to determine what approvals are necessary in the event that the total project cost increases, or a project forfeits Project Approval authority.~~

7-110 Project Construction Phase

A. Phase Description:

1. Universities select or continue with previously selected consultants.
2. Universities proceed with the bidding process, contractor selection, contract award and construction.
3. The universities may transfer funds among expenditure categories in the total project budget without CAPITAL COMMITTEE OR Board approval.
4. CAPITAL COMMITTEE APPROVAL IS REQUIRED FOR INCREASES IN TOTAL PROJECT COST UP TO FIVE PERCENT (5%) OF THE ESTIMATED TOTAL PROJECT COST.

*Budget increases after Project Approval are to be presented to the Capital Committee or the Board in order to highlight potential issues in the project or process*

45. CAPITAL COMMITTEE REVIEW AND Board approval ~~is~~ ARE required for increases in total project cost GREATER THAN FIVE PERCENT (5%) OF THE ESTIMATED TOTAL PROJECT COST.
56. Quarterly project status reports are submitted to the Central Office.

B. University Procedures: The universities shall develop procedures as follows:

1. The selection of architect/engineers, construction managers, contractors, and selection of specialty consultants and the monitoring of construction shall be consistent with Board policies.
2. These procedures shall include controls to ensure that projects requiring Legislative approval obtain approval prior to commencing construction.

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3. Project control procedures shall include university requirements for change orders, cost estimates, project reporting, and records management.
4. A cost information database shall be developed for completed projects to provide actual cost information for similar projects.

7-111 Project Closeout Phase

A. Phase Description:

1. The Project Closeout phase shall include following steps:
  - a. Universities inspect completed facilities. Certificate of Substantial Completion is issued. A list of incomplete and nonconforming tasks (punch list) is developed.
  - b. Once all incomplete and nonconforming tasks have been completed, the university may issue final acceptance documents.
  - c. Universities make final payment to consultants and contractors.
  - d. Universities formally evaluate the performance of consultants and contractors and review project results.
  - e. Universities transmit to the Central Office completed project information in the Quarterly Project Status Report and Report for Substantially Completed Projects. The Report for Substantially Completed Projects along with a copy of the Certificate of Substantial Completion shall be submitted with the Quarterly Project Status Report after award of the Certificate of Substantial Completion. If the project is not fiscally complete at that time, estimates of the cost of outstanding items or claims, and the anticipated schedule for fiscal completion shall be summarized in the comments section of the completion report.

B. University Procedures: Procedures shall be developed that:

1. Specify Project Closeout requirements to ensure that all required activities are performed before final payment is released to consultants and contractors

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2. Formally evaluate the performance of all consultants and contractors upon project completion
3. Ensure university executive level management reviews post-completion results of all projects with a total capital cost \$4 2 million and greater.

7-112 Capital Project Status Reports

- A. The Central Office shall monitor the capital development process and keep the ~~Board~~ CAPITAL COMMITTEE advised on the status of major capital projects (\$4 2 million and greater).
- B. A quarterly capital project status report shall be submitted by the universities to the Central Office.
  1. Reports include all projects in process with total project costs of \$100,000 and greater, with additional detail for those projects \$4 2 million and greater.
  2. Routine/preventive maintenance work should not be included in this report.
  3. Reports shall be submitted within 45 calendar days following the end of the quarter.
  4. ~~These reports are to be forwarded to State Risk Management by the Central Office.~~
  5. For major capital projects that were substantially completed during the quarter, a copy of the consultant's Certificate of Substantial Completion shall be included. After submission of the certificate, projects shall be removed from the quarterly report.

7-113 Space Inventory and Utilization Reports

- A. The universities shall develop procedures and systems for providing space management information to:
  1. Assist in planning potential capital projects based upon space needs
  2. Compare actual inventory and utilization data to the Regents' Space Guidelines

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3. Develop the estimated building replacement values.
- B. Regents' Space Guidelines
1. The guidelines should be used for overall campus facility planning and for planning new construction and renovation projects.
  2. The guidelines are intended to serve as overall space guidelines, not as absolute standards.
  3. The guidelines should be reviewed periodically by the Central Office and universities, and revisions approved by the ~~Board~~ CAPITAL COMMITTEE.
- C. Campus Space Committees
1. The universities shall establish broadly represented campus space committees to stimulate discussions on improving the use of campus space and facilities.
  2. The committees should use the space inventory and utilization reports, and other relevant documents, as the foundation for its discussions.
  3. The committees shall provide recommendations to university executive management on improving the use of campus space and facilities.
- D. Reporting Requirements
1. Space inventory and utilization information shall be completed and submitted to the Central Office and campus space committees by May 1 of each year.
  2. The reports shall be reviewed annually by the universities and Central Office for consistency and possible improvements.

7-114 Building Renewal:

- A. Building renewal funds shall be calculated for every eligible building by the universities each year utilizing the formula approved by the Legislature's Joint Committee on Capital Review (A.R.S. §41-793.01) and instructions from the Central Office. Each university shall request from the Legislature, via the

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submission of the biennial Capital Improvement Plan, the total amount of building renewal calculated.

- B. The amount of funds generated by the building renewal formula for each eligible building shall be included in the Building Inventory Report which is incorporated into the biennial Capital Improvement Plan. The report also shall list the estimated deferred maintenance for each building.
- C. Building renewal may be used for projects as defined in State statute (A.R.S. §41-790) or in session law. Consultant fees related to Building Renewal Projects are an allowable use of building renewal funds. State-appropriated building renewal monies may be allocated for fixed equipment and interior wall/furniture systems with the intent of permanent use in that location.
- D. The Regents' *Construction Cost Control and Professional Fee Guidelines* are used to calculate the estimated replacement values for the building inventory report. Building replacement values along with building age are the primary variables in computing the state-appropriated building renewal request. The Central Office shall provide direction to the universities for calculating estimated building replacement value and building renewal.

7-115 Capital Project Audits:

- A. The Central Office shall audit capital projects, including substantially completed projects, on a periodic basis for compliance with Board policies.
- B. The audits shall be performed by professionals with relevant skills and shall focus on those areas most important to assess system integrity.
- C. The Central Office shall audit a sample of projects funded with state-appropriated building renewal monies. The audits shall take place no less than every two years, shall include each fiscal year appropriation and shall be consistent with the corresponding capital outlay bill.

B. OWNERSHIP, MANAGEMENT AND USE OF UNIVERSITY REAL PROPERTY

7-201 Use of University Real Property and Infrastructure

- A. Title to the grounds and properties of the three universities shall be held by the Arizona Board of Regents, a body corporate, for and on behalf of the EACH university. Such grounds and properties are devoted to and maintained for the sovereign function of ~~supplying~~ PROVIDING higher education to the people, and are not places of unrestricted public access.

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- B. Leases of real property shall be entered into in the name of the Arizona Board of Regents, a body corporate, for and on behalf of ~~the~~ EACH university.
- C. Each university shall adopt and publish such reasonable regulations as it deems appropriate, and as are consistent with law and Board policy, for the maintenance of the peaceful conduct and operation of the university and university property.

7-202 Ownership and Procedures

Real property utilized by the state universities shall be legally owned by or leased to the Arizona Board of Regents. Where deeds or leases have named a university as grantee or lessee, they shall be understood to mean the Arizona Board of Regents for and on behalf of such university. Each university is authorized to acquire, to dispose of, or to lease property under the conditions of this chapter, although the Board may alter the procedure or waive any requirement or other condition for any individual transaction upon application by a university. Prior Board approval shall be required only when specified herein, or when alteration or waiver is desired.

7-203 Purchase of Real Property

Except as noted below, purchases of real property by a university require prior REVIEW BY THE CAPITAL COMMITTEE AND approval of the Board, and compliance with all requirements of this section not explicitly waived by the Board.

- A. A request for authorization to purchase property shall be accompanied by:
  - 1. the legal description of the property,
  - 2. the name of the sellers or other person having an interest in the property,
  - 3. a statement detailing the reason for such purchase,
  - 4. the amount and source of funds for the purchase,
  - 5. any other pertinent information,
  - 6. a notice to Board Counsel of the results of any appraisals(s) required which shall remain confidential until the purchase is either completed or canceled.
- B. Board approval is not required for a purchase if:

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1. the property is located within the university planning boundary as defined in the master plan; and
2. the purchase price is less than ~~\$250,000~~ 500,000

*Raising the threshold will grant the University president greater flexibility to purchase residential property around the university (especially important for UA with prices now in the \$250,000 - \$350,000 range)*

- C. THE CAPITAL COMMITTEE SHALL HAVE THE AUTHORITY TO GRANT APPROVAL FOR PURCHASES WHEN THE PURCHASE PRICE IS \$500,000 OR GREATER BUT DOES NOT EXCEED \$1 MILLION. AT THE COMMITTEE'S DISCRETION, ANY REQUEST TO PURCHASE PROPERTY MAY BE PRESENTED TO THE BOARD AS CIRCUMSTANCES WARRANT.

*Approval authority by the Capital Committee should assist universities in expediting purchases less than \$1 million that require swift action. The Chair of the Capital Committee is charged with the authority to transfer the request to the Board for purchases with special circumstances*

- GD. The Central Office shall be notified of all purchases regardless of purchase price in accordance with procedures developed by the Executive Director.

7-204 Sale of Real Property

- A. Except as described below, real property which the university anticipates to be worth \$250,000 or more may be sold only with prior REVIEW BY THE CAPITAL COMMITTEE AND authorization from the Board and requires a public auction. A request for authorization to sell shall contain:
1. The legal description of the property;
  2. The name of the buyers or other person having an interest in the property;
  3. A detailed description of any offers to purchase received by the university;
  4. The terms of sale (including the price or proposed minimum auction bid, if any is specified); and
  5. The proposed use of the proceeds from the sale.

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- B. Real property anticipated to be worth less than \$250,000 may be sold without CAPITAL COMMITTEE REVIEW AND Board approval:
  - 1. By listing it with a licensed broker who is a member of any multiple listing service, or
  - 2. By public auction.
    - a. No contract to sell real property through a broker shall be entered into until it has been listed for at least 14 days;
    - b. The university may pay a commercially reasonable brokerage commission; and
    - c. The Central Office shall be notified of all sales in accordance with procedures developed by the Executive Director.
- C. Any residential real property may be sold without Board approval by listing it with a licensed broker who is a member of a multiple listing service.
  - 1. No contract to sell residential real property through a broker shall be entered into until it has been listed for at least 14 days;
  - 2. The university may pay a commercially reasonable brokerage commission; and
  - 3. The Central Office shall be notified of all sales in accordance with procedures developed by the Executive Director.
- D. If the university receives an offer to purchase, the offer shall contain:
  - 1. A description of the property sought to be purchased,
  - 2. The name and address of the person desiring to purchase the property, and
  - 3. If such person is not an individual or individuals, the offer shall include the name and address of any stockholder, beneficiary, or other person who will own a beneficial interest in the property equaling or exceeding ten percent of its value or owns ten percent or more of the stock of any corporation making the offer.

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- E. No real property for which an appraisal is required under these rules may be sold for less than the lowest appraised value of the property (refer to section on Appraisals in this chapter).
- F. Sales may be for all cash at the time of closing, or may be on terms which the university deems to be commercially reasonable.
- G. All sales by public auction shall comply with the following procedures:
  - 1. A notice of sale shall be prepared which includes:
    - a. A legal description of the property and other description of the property sufficient to enable the public to ascertain its location.
    - b. The nature, time, place, and terms of the proposed sale,
    - c. A minimum auction bid if applicable; and
    - d. The notice of sale may incorporate by reference additional instructions, contractual terms, and other information which shall be made available for inspection by inquirers at an office identified in the notice of sale. The university may charge a reasonable fee for copies of any such material.
  - 2. The notice of sale shall be published not less than once a week for four (4) successive weeks in a newspaper of general circulation published regularly in the county in which the property (or a major portion thereof) is located.
  - 3. The notice of sale shall be posted not less than ten (10) days before the date set for sale on the property (if reasonably accessible), at the courthouse in the county in which the property (or a major portion thereof) is located; and at the Purchasing Office or other conspicuous place at the university.
  - 4. The auction shall be held between the hours of 10 a.m. and 4 p.m., at a location designated in the notice of sale, in the county in which the property (or a major portion thereof) is located.
  - 5. The property shall be sold to the responsive and responsible bidder making the highest and best offer, but in no case will it be sold for less than the lowest appraised value or for less than any minimum price stated in the notice of sale. Every bid shall be deemed to be an irrevocable offer until the sale is completed, and the sale shall not be deemed completed until the purchaser pays the price bid.

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6. The officer designated to conduct the auction may for any reason deemed in the interest of the university reject all bids and cancel the sale, or postpone and continue the sale from time to time, or change the place of the sale to any other location authorized pursuant to this chapter, by giving notice of the new date, time and place by public declaration at the time and place last appointed for the sale. Any postponed or continued sale date shall be a fixed date within sixty calendar days of the date of the declaration. No other notice of the postponed, continued or relocated sale is required.
7. Other procedures for sale, not inconsistent with the foregoing, may be included in the notice of sale, the instructions to bidders, or the form of agreement prescribed for the sale.

7-205 Exchanges of Real Property

- A. Insofar as is practical, an exchange of real property shall be deemed both a sale and a purchase and subject to the requirements of this chapter; provided however, that due to the inherent nature of such exchanges provisions relating to public auction shall not apply.
- B. All exchanges of real property in which either parcel has a value of \$250,000 or more shall require CAPITAL COMMITTEE REVIEW AND Board approval.
- C. A university may enter into an exchange, notwithstanding a differential in the appraised values of the properties, if (a) the differential is paid in cash or other consideration acceptable to the university, or (b) the differential is less than 20%, and the university determines that the value given by the university is within the foreseeable range of possible outcomes if the property to be acquired by the university were to be taken under the power of eminent domain.

7-206 Appraisals

- A. Each university shall establish guidelines for an annual prequalification process consistent with the university procurement code to maintain a pool of appraisers to be selected for appraisals under this section. Each appraiser shall possess an affiliation with a recognized appraisal association such as The Appraisal Institute or the American Society of Farm Managers and Rural Appraisers and shall possess certification from the Arizona State Board of Appraisal appropriate for the type of appraisal being obtained. The affiliation requirement may be waived where there are insufficient affiliates in an reasonable geographical area surrounding the property to be appraised. In

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selecting an appraiser from the pool who the university deems to be qualified for the particular assignment, the university may give consideration to the location of the real property and its probable value, and may, if it deems appropriate, select an appraiser from the prequalification list of one of the other universities.

- B. One appraisal shall be obtained for any sale, purchase or exchange of real property with an anticipated sale price of ~~\$25,000~~ 100,000 or more but less than \$1 million. Two appraisals shall be obtained for any sale, purchase or exchange of real property with an anticipated sale price of \$1 million or more. All appraisals shall be independent, unilaterally requested and paid for by the university.

*Raising threshold for real property activities requiring an appraisal was requested by the universities and reflects the market reality that there is very little real property available under \$100,000 and the cost of appraisals has significantly increased since the \$25,000 limit was established.*

- C. No appraisal shall be required in connection with a sale, purchase or exchange of property with an anticipated sale price of less than ~~\$25,000~~100,000.
- D. No appraisal may be used for any purchase, sale or exchange unless the appraisal has been made within six months of the time of Board or university action approving the transaction. In instances in which a fluctuating market makes real property values change more rapidly than usual, a more current appraisal shall be required.
- E. When prior Board approval is required or sought for a transaction, the Appraiser's opinion of value shall be reported to Board Counsel, and upon request the entire appraisal shall be provided.
- F. Appraisals shall not be made public until close of escrow on the real property transaction, unless the university elects otherwise.

7-207 Leases of Real Property

- A. All lease agreements and amendments of lease agreements of real property shall be ~~brought to~~ REVIEWED BY THE CAPITAL COMMITTEE AND APPROVED BY the Board ~~for approval~~ before becoming effective, except as provided below:

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1. A university may enter into a lease or lease amendments as Landlord or Lessor without Board approval (except for use of athletic facilities by professional teams), provided all of the following criteria are met:
  - a. The lease term including all renewals shall not exceed one hundred twenty (120) months;
  - b. The annual base lease amount does not exceed \$250,000; 500,000 and

*Due to the increase in lease rates, the universities suggest raising the limit in order to not over-burden the Capital Committee and Board*

- c. The rental rate meets or exceeds the fair rental value of the property.
  2. A university may enter into leases or lease amendments as tenant or lessee without Board approval provided all of the following criteria are met:
    - a. The original lease term shall not exceed a total of sixty (60) months;
    - b. Renewal options in total shall not exceed an additional sixty (60) months;
    - c. The total annual rental including tax, insurance and maintenance payable to, through, or on behalf of the landlord shall not exceed ~~\$250,000~~ 500,000;
    - d. The rental rate does not exceed fair rental value; and
    - e. Funds are available.
- B. All leases entered into shall be reported to the Central Office annually in accordance with procedures developed by the Executive Director.

**7-208 Use of Athletic Facilities by Professional Teams**

Each university may authorize the use of university athletic facilities by professional teams. All such uses shall meet the following standards:

- A. The use must be consistent with all applicable rules of the National Collegiate Athletic Association (NCAA) and the Athletic Conference in which the

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university holds membership;

- B. The university shall adhere to Board Policy regarding Rental Rates;
- C. There shall be a written agreement approved as to form by university counsel; and
- D. The term of the agreement (including any renewals) shall not exceed three years.

7-209 Rental Rates

The rental rates for use of university facilities and properties by off-campus organizations shall be approved by the president of each institution. Rental rates should reflect considerations of the fair market value rates charged by comparable facilities, actual expenses incurred in providing the space (operations, maintenance, and deferred maintenance), and inflation. Each university shall review its established rates annually. A university may offer reduced rental rates to affiliated non-profit organizations.

7-210 Easements and Rights-of-Way

- A. Each university may grant or amend easements/rights-of-way to other public entities and public service corporations or to private entities without prior Board approval.
- B. Documents granting easements and rights-of-way shall include the following provisions:
  - 1. A clause where applicable providing that the grantee agrees to hold and save the Board harmless of all damages, including those damages and injuries to third persons arising out of the grantee's use and enjoyment of the property interest conveyed;
  - 2. A reversionary clause providing that the property interest conveyed shall revert to the Board in the event the use contemplated by the easement is abandoned;
  - 3. A termination clause in instances where granting of the easement is for a temporary purpose; and
  - 4. Legal description of easement and/or right-of-way and its purpose.

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- C. All grants of rights-of-way or easements shall be reviewed and approved as to form by university legal counsel.
- D. The decision to grant a right-of-way or easement shall be supported by a written assessment of:
  - 1. Anticipated impact on future development plans, and
  - 2. Any anticipated economic impact.

7-211 Accepting Gifts of Real Property

- A. A university may accept gifts or bequests of real property. Prior to or concurrently with the acceptance, the university shall
  - 1. ~~(a)~~ examine the property to determine environmental and other liability risks associated with ownership, and
  - 2. ~~(b)~~ determine that the intention of the donor is documented in sufficient detail to provide the basis for the future managing or sale of the property.
- B. To the extent it is consistent with the intention of the donor, the terms of the document of conveyance shall provide that the real property is not intended to be part of any perpetual fund maintained by or for the benefit and support of any of the universities, or any of the colleges or schools maintained at any of the universities.
- C. A university may decline any gift or bequest for any reason, including but not limited to environmental or other liability risks or unacceptable restrictions on use or disposition of the property or the proceeds thereof.

7-212 Naming of Buildings and Improvements

Repealed

7-213 Small Group Student Housing

- A. The universities may, subject to approval by the Board, finance the construction of small group student housing projects, such as fraternity and sorority houses, through revenue bond issues on lands owned by the Board.

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- B. The facilities constructed under the terms of Subsection A may be leased for a term of forty years or less to non-profit corporations organized by local alumni of the respective fraternities and sororities occupying the facilities. The rental rates shall include a down payment of an amount equal to the annual bond obligations on the portion of the aggregate bond issue apportioned to the particular project and monthly rental payments, in advance, of an amount equal to one-twelfth of the annual bond debt obligation.
- C. A lease in default may be terminated by the institution upon the giving of thirty (30) days written notice to the lessee, which notice shall provide an opportunity to cure the default during the thirty (30) day period. The lease agreement may provide that any subsequent default within twelve (12) months following the initial notice may result in termination of the lease without the right to cure the default.
- D. A lease shall provide that the lessee has an option to renew the lease for an additional term not exceeding forty (40) years, and an option to purchase the leased premises after the lapse of ten (10) years from the date of the lease, provided the full amount of the rent prescribed in the lease has been paid by the lessee for the entire term of the lease. The purchase price shall be based upon the fair value of the land exclusive of improvements. The rental for an additional term beyond the original forty (40) years, or the purchase price, shall be agreed upon by the Board and the lessee, or shall be determined by three (3) real estate appraisers, one to be selected by the Board, one by the lessee, and one by the president of the realtor's association of the city or town in which the institution is located.
- E. In the event of the purchase of the property, the deed of conveyance granted by the Board shall contain a restriction limiting any subsequent conveyance of the property, the vesting of title therein, or the use thereof, to an incorporated grantee for the use of a student organization approved by the Board and in good standing at the institution.
- F. Project facilities leased shall be leased only for the use of those fraternities and sororities that have no anti-integration clause in their constitutions or are in the process of taking action to delete such clauses from their constitutions.
- ~~G. Universities may ground-lease property to third parties without Board approval for the construction by such third parties of small group housing projects. Such ground leases may be for an initial term not to exceed forty (40) years, with an unlimited number of renewal terms as long as the use of the property is restricted to such small group student housing projects and upon such other terms as the university may approve. Annual ground rent payable under any such ground lease shall be not less than eight percent~~

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~~(8%) of the fair market value of the land, and shall be subject to adjustment not less often than every ten (10) years.~~