

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 3 – F**  
**DATE: December 11-12, 2019**

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**SUBJECT**

**DSU Residence Village Facility Design Plan (FDP) Revision**

**CONTROLLING STATUTE, RULE, OR POLICY**

[SDCL 5-14-1](#) – Classification of Capital Improvements

[SDCL 5-14-2](#) – Supervision by Bureau of Administration of Capital Improvement Projects  
– Payment of Appropriated Funds

[SDCL 5-14-3](#) – Preparation of Plans and Specifications for Capital Improvements – State Building Committees – Approval by Board or Commission in Charge of Institution

[BOR Policy 6:4](#) – Capital Improvements

[BOR Policy 6:6](#) – Maintenance and Repair

**BACKGROUND/DISCUSSION**

DSU requests approval for a change in budget of the Residence Village Facility Design that was approved at the August 2019 Board Meeting. The DSU request amends the original budget by increasing cost estimates from \$11.5M to \$12.5M. Funding for this increase would come from a \$500,000 increase in the amount bonded (change from \$11.5M to \$12M) and \$500,000 from funds through the contract with Sodexo, DSU’s contracted food service provider.

The increase in the project budget would allow the Residence Village project to adopt steel column and pre-cast construction from the previously approved combination of steel and wood-stud construction. After GMP review from the CMR, it was also determined the cost differential between a pre-cast building and a wood-stud building was a much smaller gap than previously estimated.

**Benefits to Pre-cast Construction**

The benefits of a pre-cast construction versus wood-stud construction are significant, some of the benefits of pre-cast construction include, longer life building -- Pre-cast is 50-year building vs. 25 year building, decreased maintenance costs, decreased operational costs, decreased M&R and utility costs, better acoustics and the location.

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**DRAFT MOTION 20191211\_3-F:**

I move to approve the revised Facility Design Plan for DSU’s Residence Village Facility at a cost not to exceed \$12.5M.

There will be less annual repairs due to the more stable structure that would directly offset initial construction costs over a short period of time. In addition, the exterior walls will be more durable, whereas, a wood-stud built structure would deteriorate more quickly and maintenance costs would be more over a period of time. The exterior walls would be more durable as it will basically be maintenance-free for a long period of time and the EPDM roof would last longer than an asphalt shingled roof. Overall, a wood-stud structure with EIFS exterior has a higher maintenance cost.

The decrease in operational costs would allow for a more energy efficient HVAC system with the increased funds. In addition, it would allow the campus to add more square footage under our current electrical rate (WAPA rates, not supplement power rates). Also in connection to a decrease in operational costs, a pre-cast structure would decrease M&R and utility costs on this new building, which allows DSU to spend more dollars on existing residence halls.

Lastly, there will be better acoustics, meaning less sound travel which will result in a better residence life experience. The location will also add to that experience since it will be placed at the heart of the campus, which will tie into the campus better. With it being a pre-cast system, it will last longer.

The increase in funding from Sodexo will allow for a small retail operation within the building. That small reduction in housing space will be offset by the revenue generated from this retail space.

Revised Funding

The following table displays the budget from the original Facility Design Plan and the revised budget that DSU is currently proposing. The revision includes the increase in the total amount and also changes within line items as more detail is known now that when the previous budget was submitted to the BOR in August.

	<u>Original FDP Budget</u>	<u>Revised FDP Budget</u>
Construction Costs	\$ 8,732,000	\$ 9,676,490
CMR Fee	436,600	500,000
CMR Contingency	455,000	500,000
Owner Contingency	363,400	304,490
Professional Fees	545,000	595,000
Green Globes Professional Fee	87,725	87,725
OSE	30,000	31,250
Furniture/Fixtures/Equipment	750,000	650,000
Commissioning	50,000	78,170
Geotech/Survey/Construct Testing	34,950	61,550
<u>Miscellaneous Fees</u>	<u>15,325</u>	<u>15,325</u>
<b>Total Project Cost</b>	<b>\$11,500,000</b>	<b>\$12,500,000</b>

**IMPACT AND RECOMMENDATIONS**

Approval of DSU's revised Residence Village FDP will assure the campus is able to provide the quality and modern living standards expected by students. Given that the facility revenues are projected to cover the necessary costs, approval of the revised design plan is recommended.

**ATTACHMENTS**

Attachment I – DSU Residence Village – Request to Amend Facility Design Plan Budget

# Dakota State University

## Residence Village

### Revised Facility Design Plan (FDP)

#### A. Request to Amend Facility Design Plan Budget

DSU is requesting that the budget in the Facility Design Plan (FDP) for Residence Village that was approved August 2019 be amended by increasing the budget from \$11.5M to \$12.5M. Funding for this increase would come from a \$500,000 increase in the amount bonded (change from \$11.5M to \$12M) and \$500,000 from funds through the contract with Sodexo, DSU's contracted food service provider.

The increase in the project budget would allow the Residence Village project to transition to a steel column and pre-cast construction type. Previously the budget was proposed to be a combination of steel and wood-stud construction (hybrid). After GMP review from the CMR, it was determined that the hybrid was the least cost-effective construction method. Within this review it was also determined the cost differential between all wood and pre-cast building structures was a much smaller gap than previously estimated. The benefits of a pre-cast construction are significant. Some of the benefits of this construction type and improved systems that the additional funding will allow include:

- Longer life building -- Pre-cast is 50-year building vs. 25 year
- Decreased Maintenance costs
  - Less annual repairs due to more stable structure
    - Cost savings would directly offset initial construction costs over short period of time
    - Wood-stud built structure would deteriorate more quickly and maintenance cost would be more over time
    - Exterior walls will be more durable.
      - Wood-stud structure with EIFS exterior has higher maintenance cost
      - Pre-cast would be basically maintenance free for a long period of time
      - EPDM roof will last longer than an asphalt shingled roof
- Decreased operational costs
  - Increased funds allow for more energy efficient HVAC system
  - Allow campus to add more square footage under our current electrical rates (WAPA rates, not supplement power rates)
- Decreased M&R and utility costs on this new building allows DSU to spend more dollars on existing Residence halls
- Better Acoustics -- Less sound travel, better Residence Life experience.
- Location – placed at the heart of campus, this building ideally would be built with a pre-cast system – lasts longer and will look and tie into campus better

The increase in funding from Sodexo will allow for a small retail operation within the building. That small reduction in housing space will be offset by the revenue generated from this retail space.

## B. Revised Budget

The following table has the budget within the original Facility Design Plan and the revised budget that DSU is proposing. The revision includes the increase in the total amount and also changes within line items; more is known now than when the previous budget was submitted to the BOR in August.

Description	Budget amount Original FDP	Revised Budget amount FDP
Construction Costs	\$8,732,000	\$9,676,490
CMR Contingency	\$436,600	\$500,000
CMR Fee	\$455,000	\$500,000
Owner Contingency	\$363,400	\$304,490
Professional Fees	\$545,000	\$595,000
Green Globes Professional Fee	\$87,725	\$87,725
OSE Fee	\$30,000	\$31,250
FF&E	\$750,000	\$650,000
Commissioning	\$50,000	\$78,170
Geotechnical, Survey, and Construction Testing	\$34,950	\$61,550
Miscellaneous Fees	\$15,325	\$15,325
<b>Total</b>	<b>\$11,500,000</b>	<b>\$12,500,000</b>

## C. Updated Pro Forma

An updated Pro Forma is attached based on the requested new budget of \$12.5 million. The table also shows the original assumptions and the revised assumptions in the updated pro forma.

**DSU Total Auxiliary System Summary Pro forma**

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
SubTotal Operating Revenue	\$4,826,843	\$5,334,134	\$5,560,596	\$5,746,128	\$6,808,994	\$7,050,104	\$7,211,737	\$7,357,186	\$7,505,789	\$7,656,449	\$7,812,375	\$7,969,469	\$8,132,018
SubTotal Other Revenue	\$423,123	\$425,980	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
SubTotal Investment Income	\$39,836	\$25,635	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Total Revenues	\$5,289,803	\$5,785,749	\$6,030,596	\$6,216,128	\$7,278,994	\$7,520,104	\$7,681,737	\$7,827,186	\$7,975,789	\$8,126,449	\$8,282,375	\$8,439,469	\$8,602,018
Total Expenditures	\$3,371,850	\$3,850,627	\$4,029,165	\$4,045,150	\$4,438,155	\$4,527,205	\$4,617,105	\$4,708,886	\$4,802,715	\$4,898,491	\$4,996,381	\$5,156,285	\$5,258,441
Excess of Revenue over Expenditures (NOI)	\$1,917,953	\$1,935,122	\$2,001,431	\$2,170,978	\$2,840,839	\$2,992,899	\$3,064,632	\$3,118,300	\$3,173,074	\$3,227,959	\$3,285,994	\$3,283,184	\$3,343,577
Total Debt Service	\$1,369,266	\$1,368,566	\$1,364,128	\$1,367,096	\$2,005,076	\$2,002,268	\$2,007,475	\$2,010,447	\$1,806,087	\$1,989,589	\$1,991,953	\$1,641,735	\$1,612,500
Coverage Ratio	1.40	1.41	1.47	1.59	1.42	1.49	1.53	1.55	1.76	1.62	1.65	2.00	2.07
Excess Net Revenue above 1.20		\$292,843	\$364,477	\$530,463	\$434,748	\$590,178	\$655,662	\$705,763	\$1,005,770	\$840,452	\$895,651	\$1,313,102	\$1,408,577
Net Revenue after Debt Service	\$566,556	\$637,303	\$803,882	\$835,763	\$835,763	\$990,631	\$1,057,157	\$1,107,853	\$1,366,987	\$1,238,370	\$1,294,041	\$1,641,449	\$1,731,077
2% M&R Funding	\$513,786	\$578,785	\$642,505	\$756,115	\$826,457	\$1,180,886	\$1,291,047	\$1,382,193	\$1,382,193	\$1,420,891	\$1,460,952	\$1,502,413	\$1,546,986
M&R Funding	\$52,770	\$58,518	\$161,377	\$79,648	\$164,174	(\$123,728)	(\$183,194)	(\$15,206)	(\$182,522)	(\$166,910)	\$139,036	\$184,091	
<b>Total M&amp;R Funding Surplus/(Shortage) FY19 - FY30</b>			<b>\$168,052</b>										

Original Assumptions:

1. 128 beds with a mix of units – 4-bed single suite, 6-bed single apartment
2. 90% occupancy in the new residence hall
3. 2% increase in rates/revenue annually, plus an additional increase of 3% each year for the first 3 years – FY21, FY22 and FY23 (total of 5% increase those years)
4. 2% increase in expenses annually
5. Debt term of 25-years at 3.5%
7. DSU has current bonded debt that will be retired in 2025 and 2028
8. DSU Rising Gift funding to offset staffing expenses in the amount of \$80,000 per year FY21 – FY28
9. Van Eps Place with capacity of 23 beds and 90% occupancy

Revised Assumptions:

1. 122 beds with a mix of units – 4-bed single suite, 6-bed single apartment plus a retail space
2. 90% occupancy in the new residence hall
3. 2% increase in rates/revenue annually, plus an additional increase of 3% each year for the first 3 years – FY21, FY22 and FY23 (total of 5% increase those years)
4. 2% increase in expenses annually
5. Debt term of 25-years based on current market conditions
7. DSU has current bonded debt that will be retired in 2025 and 2028
8. DSU Rising Gift funding to offset staffing expenses in the amount of \$60,000 per year FY21 – FY28
9. Van Eps Place with capacity of 23 beds and 90% occupancy
10. Residence Hall Occupancy in existing halls based on Fall 2019 occupancy.