Fiscal Analysis

State Building Authority Leases

4/21/2008

Bill/Sponsor **HCR's 80, 81 & 82 Rep's. M. Hood III, et al**

House Committee **Appropriations**

Analysis **Summary**

To approve standard State Building Authority (SBA) lease agreements among the SBA, the State and the respective institutions for Capital Outlay projects as shown in the table below. These properties are also conveyed to the SBA by the resolutions. Each of these projects received planning, cost, and construction authorizations under previous Capital Outlay budget acts. The projects are under construction or have been completed.

Approval of these resolutions is the final remaining legal requirement to allow the SBA to issue both short and long-term debt instruments to finance the State's share of each project's construction costs.

The **Joint Capital Outlay Subcommittee** (JCOS) approved these resolutions, with recommendation. The Department of Management and Budget also recommends approval.

State Fiscal Impact

Legislative adoption of these resolutions commits the State to annually pay rent to the SBA until its debt obligations are fully satisfied. The cumulative annual GF/GP low-to-high rent payment range of **$2.16 million to $2.74 million** is provided consistent with the State Building Authority Act (PA 183 of 1964). The actual rental amount, within or below the respective ranges, will be determined by an independent appraiser before long-term debt is issued. Payments to the SBA don't begin until after the long-term bonds have been issued.

Project	Total Authorized Project Cost	State Building Authority Funds	GF/GP Rent Estimate on SBA Financing
HCR 80. Washtenaw Community College – Technical & Industrial Building Renovations. This project entails the renovation of 93,650 sq. ft. of instructional space to support academic programs such as Culinary Arts, Communications, and Art. It will allow for the re-location of the CAD and mechanical drafting programs from off-campus leased space. A new demonstration kitchen will also be built. It also provides for the expansion and re-location of a computer laboratory. This project received cost/construction authorizations under PA 153 of 2006.	$13,985,000	$2,999,800	$206,000 to $269,000

HCR 81. State Facility Preservation Projects, Phases I & II – Group F VanWagoner Building. This project entails updating or replacing this 40-year old building's roof, windows, air handling equipment, switchgear, and motor control centers. Cost/construction authorizations were provided under PA's 10 & 297 of 2005.	$14,750,000	$14,750,000	$1,167,000 to $1,478,000
HCR 82. State Facility Preservation Projects, Phases I & II – Group G Special Maintenance Projects. This provides funding for 12 minor and major special maintenance projects ranging in cost of $100,000 to $1.75 million. These include several building roof replacements and HVAC upgrades. Cost/construction authorizations were provided under PA's 10 & 297 of 2005.	$9,960,000	$9,960,000	$788,000 to $998,000
Totals	$38,695,000	$27,709,800	$2,161,000 to $2,745,000

Local Fiscal Impact
Community colleges typically finance 50% of their project costs.

Analyst(s)
Al Valenzio

Mitchell Bean, Director - House Fiscal Agency
124 N. Capitol Avenue, Lansing, MI 48909
Phone: (517)373-8080, Fax: (517)373-5874
http://www.house.mi.gov/hfa