

May 21-22, 2015

ITEM 167-2015-R0515

Authorization to Construct and Finance Parking Facility; Montana State University

THAT

Consistent with provisions of MCA 20-25-302 and MCA 18-2-102(2),(c), the Board of Regents authorizes Montana State University to construct a Parking Facility on the Bozeman Campus, adopts a Reimbursement Resolution concerning bond proceeds, and authorizes the Office of the Commissioner of Education to pursue and negotiate up to \$6.5 million in financing. The total estimated construction cost is \$12.5 million.

EXPLANATION

1. During its March 2014 meeting, the Board authorized the design of a new classroom and laboratory building, the Norm Asbjornson Innovation Center (NAIC), to be funded with a donation via the MSU Alumni Foundation (Item 162-2006-R0314). Construction authority for the building is being sought through the legislative process.
2. The site selected for the NAIC is at the southwest the corner of 7th Ave and Grant Street, just south of the Strand Union Building (SUB). This site facilitates the most efficient use of valuable land near the campus core, and places the NAIC in close proximity to the SUB, the existing College of Engineering complex, the Fitness Center and the Renne Library. However, the NAIC building will displace approximately 400 surface parking spaces in the existing Gatton Lot.
3. To compensate for the displacement of existing surface parking and to provide the additional parking required to meet the needs of the NAIC as efficiently as possible with regard to land use, MSU seeks approval to construct a multi-level, approximately 600-space parking facility as an element of the NAIC project.
4. The \$12.5 million parking facility will be funded with a combination of long-term financing, funds on hand, and unrestricted private funds. Increased permit and visitor parking rates in the garage as compared with the rates for surface parking will contribute additional revenue for the parking operation. Net additional revenue generated by the parking operation will be sufficient to pay debt service of approximately \$400,000 per year.
5. The spaces in the parking facility will comprise at least two types of revenue-generating spaces, including permits specific to the garage as well as short-term visitor pay spaces. Permit rates for the parking garage have been submitted for approval within the biennial Inventory of Fees package.
6. For parking garage construction, private and other funds on hand will be expended first, with borrowing for the remaining costs occurring in late 2015 or early 2016.
7. MSU is currently working with Commissioner's Office staff and its financial advisor to determine the best source for the financed portion of the project. This item authorizes the Commissioner of Higher Education to pursue and negotiate one or more financing options, with no debt issued until final approval is received at a future Board of Regents meeting. The anticipated total borrowing is \$6.5 million, with the following financing options currently under consideration.

- a. Between \$0 and \$5 million (the maximum allowable Intericap amount) may be financed through the State of Montana Board of Investments Intericap Program, repayable over the maximum Intericap period (currently 15 years) in accordance with the Intericap Program Agreement dated January 2, 2007 by and between BOI and the BOR. Intericap funds shall be repaid from surplus net pledged revenues, which include, but are not limited to, non-state funds from parking operations in excess of debt service obligations.
 - b. Between \$0 and \$6.5 million may be financed through the issuance of a private placement with a bank over a period of up to 20 years. The University has secured the services of a financial advisor through a competitive bidding process. The financial advisor will solicit proposals for any new bank debt through a competitive bidding process.
 - c. Between \$0 and \$6.5 million may be financed through the issuance of bonded indebtedness over a term of up to 30 years.
 - i. Bonds would be issued under the MSU bond indenture and payable with non-State funds on parity with MSU's other long-term indebtedness.
 - ii. The University secured the services of a bond underwriter through a competitive bidding process in connection with its Series A 2013 debt, and additional debt may be issued pursuant to that contract.
 - iii. As is customary when issuing bonds for a construction project, the University requests adoption of the attached Reimbursement Resolution. In the event that the University receives approval to issue bonds, this authorizes the University to use bond proceeds to reimburse itself for costs that are funded with cash-on-hand, in the case that timing of a debt issuance necessitates expenditure of funds prior to bond closing.
8. In the event that MSU has the opportunity to combine this financing with that for another project, or a refunding of existing debt, and determines that doing so would be financially prudent, a new request would be submitted to secure funding through a multi-project debt issuance.

ATTACHMENTS

Attachment #1: Additional information required by BOR Policy 1003.7

Attachment #2: Reimbursement Resolution