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House Concurrent Resolution 27 (as introduced 5-5-11)
Sponsor: Representative Mark Ouimet
House Committee: Appropriations

Date Completed: 5-5-11

CONTENT

House Concurrent Resolution 27 would approve the conveyance of property and approve a lease between the State, the State Building Authority (SBA), and Eastern Michigan University for a project that the Legislature has previously approved for planning and construction. Approval of the resolution would enable the SBA to issue bonds to finance the State's share of construction costs.

The project has met all of the planning approval requirements of the Joint Capital Outlay Subcommittee and the Management and Budget Act. Approval of the resolution would create a contractual obligation between the State and the SBA, requiring the State to make annual rental payments to the SBA. The SBA will use the rental payments to pay off the bonds sold to finance construction. Once the debt obligations are satisfied, the SBA will transfer title back to the institution.

The Pray-Harrod Hall Renovations project as authorized in Public Act 278 of 2008 was based on a total project cost of \$57.0 million with a university match of \$25.5 million (44.7%). The university determined it could not cover the enhanced match requirements and revised the scope of the project to eliminate proposed additional instructional capacity of the facility. The revised scope as approved in Public Act 64 of 2009 resulted in a total construction cost estimate of \$42.0 million with a State match of \$31.5 million (75%), and a university share of \$10.5 million.

Pray-Harrod is a seven-story 235,791-square-foot instructional facility. The project includes replacing mechanical, electrical, and plumbing systems. It also includes technology infrastructure, a fire suppression system, ADA compliance, infrastructure and building code requirements, and improvements to instructional spaces.

FISCAL IMPACT

The total project cost is \$42.0 million and the State share represents new bond debt obligations of \$31.5 million. Annual rental payments to the SBA are estimated at \$2,160,000 to \$2,825,000 until the bonds are retired (approximately 15 to 17 years). Annual rental (debt service) payments to the SBA appropriated in the FY 2010-11 General Government appropriation bill total \$241.9 million.

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