

Western Michigan University Revise Costs - Sangren Hall Replacement Project

Senate Concurrent Resolution 8 - As Passed by the Senate

Sponsor: Senator Tonya Schuitmaker

Analysis Completed: March 1, 2011

BRIEF SUMMARY:

Senate Concurrent Resolution 8 would revise the state share of the Sangren Hall Replacement project from \$11.7 million to \$30.0 million and revise the university share of the project from \$48.3 million to \$30.0 million. Section 246 of 1984 PA 431, the Management and Budget Act, authorizes project costs of existing capital outlay projects to be revised by concurrent resolutions adopted by the House and Senate.

BACKGROUND:

The Sangren Hall Renovations project received planning authorization in 2008 PA 278. The renovations project was authorized for a total cost of \$56.0 million, with the state share being \$11.7 million and the university share being \$44.3 million. Other planning authorizations for universities included in 2008 PA 278 were based on a state share of 75%, with a maximum state share of \$40.0 million. The state match for the Sangren Hall project, at \$11.7 million, was 20.9% of the total project cost. More recently, December 2010, Public Act 329 was enacted and included a number of university and community college planning authorizations for capital outlay projects. Again, planning authorizations were based on a state share of 75%, but the maximum state share was \$30.0 million.

In May 2010, Western Michigan University requested that the scope of the project be revised, as well as the total project cost. Professional planning services yielded a total project cost of \$60.0 million. The difference of \$4.0 million was to be funded 100% with university funds. Also, it was determined the most efficient and functional design was to construct a new facility, as opposed to renovating and expanding the existing facility. Under 2010 PA 111, the total project cost was increased to \$60.0 million, with the state share being \$11.7 million and the university share being \$48.3 million, and the project scope/title was revised from Sangren Hall Renovations project to Sangren Hall Replacement project.

The new building will consist of 214,800 gross sq. ft. (141,585 sq. ft. assignable space) and will include classrooms, clinics, conference rooms, dining services, file and other storage areas, laboratories, offices, and a library.

FISCAL IMPACT:

Senate Concurrent Resolution 8 would increase state costs by \$18.3 million. Western Michigan University's costs would be reduced by the same amount. This increase in the state share would be funded by the issuance of State Building Authority bonds. Annual rent payments to the SBA are estimated at \$1.3 million to \$1.6 million until the bonds are retired (after approximately 15 to 17 years). The actual true market rent amount, within or below the respective range, will be determined when the project is completed and has been independently appraised. Annual rent payments to the SBA are appropriated in the General Government appropriations bill and total \$241.9 million for FY 2011. Another concurrent resolution will be necessary to authorize financing by the State Building Authority. This will happen when Western Michigan University expends its share of project financing and begins to incur costs that are reimbursable by the state.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.