



Legislative Fiscal Bureau

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November 30, 2005

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 175/Assembly Bill 397: Enumeration of UW-Platteville Building Purchase

Senate Bill 175 was introduced on April 18, 2005, and referred to the Joint Committee on Finance. Senate Amendment 1 was offered on May 27, 2005. Senate Substitute Amendment 1 to SB 175 was offered on October 12, 2005. Assembly Bill 397 was introduced on May 2, 2005, and referred to the Joint Committee on Finance.

SUMMARY OF BILLS

SB 175 and AB 397 would modify the 2003-05 state building program by enumerating the purchase and remodeling of buildings at 300 W. Highway 151 and 825 Chestnut Street in the City of Platteville to provide additional student housing at UW-Platteville. The bills would authorize the purchase and remodeling of this facility using \$5.0 million in existing UW System program revenue supported bonding (PRSB).

SENATE AMENDMENT 1 TO SENATE BILL 175

Senate Amendment 1 to SB 175 would modify the bill to authorize \$5.0 million in PRSB and change the project enumeration to reflect the use of newly-authorized bonding to fund the project.

SENATE SUBSTITUTE AMENDMENT 1 TO SENATE BILL 175

Senate Substitute Amendment 1 to SB 175 would modify the 2005-07 building program to enumerate this project, rather than the 2003-05 building program as under the original bill. In addition, SSA 1 would authorize \$5.0 million of PRSB, rather than using existing PRSB.

ANALYSIS

UW-Platteville's nine existing residence halls were constructed between 1961 and 1969 and are currently operating over capacity, housing 2,400 students in the spring of 2004. In order to accommodate existing demand and planned enrollment growth, UW-Platteville is constructing a new 348-bed residence hall under a Building Commission authorized lease/purchase arrangement that is scheduled for occupancy in August, 2006. This facility was enumerated as part of the 2005-07 capital budget under Act 25, with \$20.0 million PRSB to purchase the facility.

Although UW-Platteville is constructing a new residence hall, the campus has identified the need for additional residence hall capacity. UW-Platteville requested the purchase and conversion of the Governor Dodge Best Western hotel, restaurant, and convention center facility to a residence hall to meet freshman and sophomore housing demand by providing approximately 140 beds. According to UW-Platteville, the purchase, conversion, and renovation of the hotel property would be more economical than building a new residence hall.

In May of 2005, the UW System Board of Regents provided conditional approval for UW-Platteville to purchase approximately six acres of property in Platteville, including improvements consisting of a hotel and banquet facility and an adjacent retail building, at a cost of \$2,510,000 PRSB. In addition the Board approved the use of PRSB to pay for renovation and any necessary environmental abatement on the property, and approved the extension of the campus boundary to include the non-contiguous parcel. The bills would enumerate the purchase and remodeling of the properties at a project cost of \$5.0 million. Campus officials indicate that the estimated costs to remodel the facilities would be \$2.4 million.

The proposed project would include the purchase of a hotel facility, restaurant, convention center, and auto parts store facility. The hotel facility would be converted to a dormitory facility to house UW Platteville students in 72, double occupancy rooms and the restaurant facility would be used to provide food service to the students residing at the dormitory facility. The proposed purchase would also include a convention center facility, which would be used as a campus banquet facility, and an auto parts store that would be converted to a campus garage facility.

The current hotel portion of the property is primarily wood-frame construction and was constructed in four phases over nearly 15 years. The main lobby and 28 rooms were constructed in the mid-1960s. An addition, totaling 20 rooms, was constructed in 1973 and the pool area and restaurant facility were constructed in 1975. In 1977, a final hotel addition consisting of 20 rooms was constructed. The convention center was constructed in 1995. The facilities are located approximately four blocks outside the current campus boundaries, adjacent to what was US

Highway 151 in the City of Platteville. However, US Highway 151 now bypasses the City of Platteville, the hotel, and the other facilities to be purchased.

In its approval of the hotel purchase, the Board included several contingencies including receipt of two acceptable appraisals indicating the estimated purchase value of \$2,510,000 is equal to or less than the average of the two appraised values and an environmental assessment indicating a minimal level of environmental risk. The Board has received two appraisals for the property that indicate the negotiated purchase price is \$105,000 below the fair market value. Both appraisals noted that half of the property is in the 100-year floodplain, which could affect any future development of the property.

An environmental assessment of the property was completed in June, 2005. The assessment indicated that the cost of remediation will likely be minimal.

DOA has not yet completed an independent cost estimate associated with the purchase and remodeling of the facilities. However, in July, 2005, a feasibility study on the facility was completed, which indicated current repairs that would be needed to be done on the facility as well as future repairs to the facility that would need to be addressed. The facility will need to be updated to bring it into compliance with building codes for state-owned facilities, as well as meeting new and different building codes related to its change in use from transient housing to permanent housing. Additional remodeling will be necessary to gain energy efficiency, fire and other safety improvements, and aesthetic improvements to the facility. DOA officials indicate even after the needed renovations are made to the facility, the facility would not likely meet the construction standards of other UW dormitory projects. For example, UW dormitory projects typically involve steel and concrete construction, with central heating and cooling units. The hotel project would be a wood frame dormitory building that would have individual heating and cooling units and restroom facilities in each room.

FISCAL EFFECT

The bills would authorize purchase of these facilities using \$5.0 million of UW System program revenue supported borrowing that has already been authorized by the Legislature, but has not been issued. Therefore, the bills would not authorize any additional borrowing for the facility. However, the UW System has expressed concern with the proposed use of residual borrowing provided in the bills. The UW System has requested that \$5.0 million of new PRSB be authorized for the project since they have identified a balance of only \$7.5 million PRSB remaining bonding authority in this biennium, and use of the existing bonding authority in this biennium would risk delaying other planned PRSB projects. Senate Amendment 1 and SSA 1 to SB 175 would modify the bill to authorize new PRSB for this purpose.

When the bonds are fully issued, the annual debt service costs would be approximately \$400,000 PR annually. Debt service would be paid from the resident fees assessed students housed at the proposed facility and the other UW-Platteville campus housing facilities.

In preparing debt service estimates for the 2005-07 biennium, projections were made as to the timing of issuance of bonds already authorized by the Legislature. As noted in the fiscal note to the bills, the timing of when the debt service on the bonds associated with this project occurs may be different than current projections relating to the use of this bonding. In addition, if the bonding authority that would be reallocated to this project under the bills were to remain unused, or eventually repealed, actual debt service amounts could be lower in the future under current law, than under the provisions of the bills. However, given the time needed before significant expenditures occur associated with the project, it is unlikely that enumerating the project at this time would increase overall debt service beyond existing estimates for the 2005-07 biennium.

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