

## BOARD OF REGENTS BRIEFING PAPER

### **1. Agenda Item Title: Proposed Legislation – Bond Issuance**

**Meeting Date: April 19, 2013**

### **2. BACKGROUND & POLICY CONTEXT OF ISSUE:**

In 1979, the Nevada Legislature approved issuance of State of Nevada General Obligation bonds for the construction of Thomas & Mack and Lawlor Events Center. These bonds were paid for with partial proceeds from the \$250/ machine 'slot tax.' Subsequently the 1997 Legislature approved issuing similar bonds, using the same revenue stream, which also provided funds for the maintenance and modernization of athletic facilities at UNLV and athletic/academic facilities at UNR.

Using the existing funding stream available for debt service, System staff have modeled a financing scenario for issuing the bonds again. This would generate approximately \$70 million in proceeds for similar planning, design, and construction projects at UNLV and UNR.

This proposal would require approval by the Board of Regents and legislation.

### **3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

Approve a motion to direct the Chancellor to request passage of bill by the 2013 Legislature to approve issuance of a new series of slot tax bonds. The proceeds of which would be distributed as follows (approximate):

UNLV: \$47.5 million

UNR: \$22.5 million

Las Vegas Projects: \$50.5 million

Reno Projects: \$19.5 million

The specific allocation is included on Attachment 1, and proposed project details are included in Attachment 2.

### **4. IMPETUS (WHY NOW?):**

-Historically low interest rates make market conditions extremely attractive for this type of financing.

-Likewise, low construction costs in both Reno and Las Vegas will enhance the purchasing power of the bond proceeds.

-Economic forecasts show that the state will unlikely be able to fund any of these projects through the traditional Capital Improvement Program for several years. Each of the projects listed above has been identified by the respective University as a priority for these funds. Specific details on each proposed project is included in the reference material (Attachment 2).

### **5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

-The current market offers very attractive interest rates for bond financing.

-The current construction market is currently very favorable for undertaking projects such as those described in the reference material.

-Each of the projects identified play an important role in each respective University's operation, and the proposed bonds provide the most expeditious means of completing the projects.

-Board approval now will enable this request to be placed before the 2013 Legislature for consideration.

**6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

-Due to the proposed timing of this transaction, the financing plan includes capitalized interest. The Board may wish to delay this request until the current bonds have been fully paid off.

**7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

-Postpone this request until the 2015 or later Legislative Session

-Identify different projects for the proceeds.

**8. COMPLIANCE WITH BOARD POLICY:**

- ☐ Consistent With Current Board Policy: Title #\_\_\_\_\_ Chapter #\_\_\_\_\_ Section #\_\_\_\_\_
- ☐ Amends Current Board Policy: Title #\_\_\_\_\_ Chapter #\_\_\_\_\_ Section #\_\_\_\_\_
- ☐ Amends Current Procedures & Guidelines Manual: Chapter #\_\_\_\_\_ Section #\_\_\_\_\_
- ☐ Other:\_\_\_\_\_
- X Fiscal Impact: Yes\_\_\_\_\_ No\_\_X\_\_
- Explain: \_These bonds would be State of Nevada bonds, using an existing revenue stream.\_\_\_\_\_

## Attachment 1

Institution	Project	Location	Total Projects	Bond Proceeds	Campus Match	% match
UNLV	Thomas & Mack Center*	Las Vegas	\$ 59,200,000	\$ 47,548,304	\$ 11,651,696	20%
UNR	UNSOM LV Building Planning	Las Vegas	\$ 3,000,000	\$ 3,000,000	\$ -	
UNR	Electrical System Replacement	Reno	\$ 3,000,000	\$ 3,000,000	\$ -	
UNR	Student Fitness/Wellness Center*	Reno	\$ 7,000,000	\$ 1,489,062	\$ 5,510,938	
UNR	Engineering & Science Building Planning/ Renovation	Reno	\$ 15,000,000	\$ 15,000,000	\$ -	
	UNR Sub Total		\$ 28,000,000	\$ 22,489,062	\$ 5,510,938	20%
	<b>NSHE Grand Total</b>		<b>\$ 87,200,000</b>	<b>\$ 70,037,366</b>	<b>\$ 17,162,634</b>	<b>20%</b>

\*Bond Proceeds are a projected amount - these two projects may be adjusted for funding split based on actual proceeds available.

## Attachment 2

### University of Nevada, Las Vegas

Thomas and Mack Center infrastructure improvements/ facility modernization: \$59,200,000 (total project cost)

The Thomas and Mack Center (TMC) is 30 years old, and significant investments are needed in order for it to continue to support major economic activity for Las Vegas, allow UNLV to continue to bring in annual net revenues to the UNLV Athletics program, as well as support Rebel Athletics and third-party produced events. This request is specifically linked to the slot tax source, and not any other state revenues.

#### TMC Background and Economic Impacts:

The TMC is the result of a successful partnership involving UNLV, the State of Nevada, and the Las Vegas hospitality and resort industry to provide Nevada with a high-quality events facility for UNLV Athletics and third-party produced events that support UNLV and the hospitality and resort industry. The TMC has provided exceptional economic activity for Clark County, Las Vegas and the State of Nevada. Below is an excerpt from a 2012 economic impact report prepared by Dr. Mark Rosentraub of The University of Michigan's Center for Sport Management, a leading national expert on the value of public/private partnerships in venues like the TMC, who collaborating with Hobbs, Ong and Associates of Las Vegas, Nevada, in assessing economic impacts of the TMC.

*"Since opening in 1983 the Thomas & Mack Center has welcomed more than 21.7 million attendees to various events. The Center is a valued community resource serving residents, the hospitality sector, and UNLV. It also produces substantial economic returns for UNLV that allows the university to support its Division 1 sports programs. The region's resorts also benefit from the hotel room nights generated, and important tax revenues for every level of government. The Thomas & Mack Center is the result of a successful partnership involving UNLV, the State of Nevada, and the Las Vegas hospitality industry.*

*No other university in the United States can point to a more successful partnership with its regional hospitality industry than UNLV.*

*Out-of-town visitors attending events at the Thomas & Mack Center have spent more than \$200 million at Las Vegas' hotels, casinos, and retail outlets each year. At the same time, the events hosted at the facility provide a rich array of events that substantially enhance the quality of life in Southern Nevada. The tourists attending events at the Thomas and Mack Center annually generate approximately \$18 million in tax revenues for Nevada and Clark County governments and the LVCVA."*

The TMC also has a significant positive economic impact on UNLV directly. On average the TMC (in conjunction with net revenue from programs at the UNLV Sam Boyd Stadium and the UNLV Cox Pavilion, with TMC as the major revenue generating facility) generates \$7M-\$8M per year in net revenue support for the UNLV Athletics program. Without this net revenue support the UNLV Athletics program would not be able to survive financially.

Aside from these significant economic impacts and TMC's benefit to Nevada, it is also important that regardless of these benefits, the TMC is 30 years old and needs renovation and updates to meet current building codes to support UNLV activities that occur in the TMC.

#### Focus of Improvements:

The purpose of the Thomas and Mack Center infrastructure improvements and facility modernization is to maintain the overall asset, replace 30 year old building systems, and bring the facility up to current required building code. This improvement and modernization is necessary so that the facility may continue to effectively serve events patrons in a reasonable manner, especially major events such as the NFR, PBR, Rebel Basketball, etc. Most all of the major building systems are at the end of their useful life, and they must be addressed in order for this facility to be able to continue to support UNLV in this manner.

Infrastructure improvements planned include replacement/refurbishment, improvement and enhancements to efficiency in items such as mechanical, plumbing, lighting and electrical systems/service, data service/distribution, event services/support infrastructure items, elevator and accessibility upgrades, energy performance and sustainability improvements and improvements to life safety systems, such as sprinklers, smoke control and fire alarm systems, among other systems/items.

Facility modernization improvements/repairs planned include improvements such as seating replacements, concourse and other improvements to improve interior access, movement and safety, exterior building access improvements, replacement of finishes that are at the end of their useful life, signage upgrades, replacements of the audio-visual and events systems, refinishing or replacement of flooring systems/stages, operations and service improvements, upgrades to ADA/accessibility items/systems to meet current standards, among other items.

#### Priorities for TMC Improvements – Estimated Project Cost: \$59.2 Base Package

Improvements for deferred maintenance, safety and accessibility are required as many of these items are original to the building's initial construction. This base package includes replacement of 30 year old systems as well as the requirement to bring the facility up to current building code standards.

It is not financially feasible to make this facility into a fully current and contemporary events venue, with all the attributes you might find in a recently built venue like the Staples Center, the

Toyota Center, etc. However, it is feasible to make base infrastructure improvements to the existing facility so it can continue to support events.

Planned Improvements are summarized below. The \$59.2M projected cost includes all construction costs as well as soft costs for design, fees, permit/inspection, etc. The key items that would be addressed with this base package renovation are noted below.

- Provide ADA (Americans with Disabilities Act) building and site improvements to meet current ADA requirements.
- Concourse restroom additions to meet current code requirements and demands
- Improvements to fire, life safety and smoke control systems to meet current code requirements.
- Provide additional access (i.e. escalators) to secondary Thomas and Mack Center entries to distribute building access, improve movement/circulation and relieve concourse of patron congestion.
- Improve concourse layout, movement and service to improve building access/circulation and relieve concourse of patron congestion.
- Update 15 year old concourse finishes and signage.
- Add direct access from events rooms to arena seating area to provide better access/customer experience and redistribute patrons to improve concourse function and access (including relief to existing code issues with bathrooms).
- Replace original 30 year old seating.
- Replace remainder of original 30 year old roofing.
- Replace, refurbish and/or upgrade 30 year old original mechanical, electrical, plumbing and low voltage systems.
- Replace existing arena sound system.
- Refurbish existing locker rooms.

Key Background Summary Information for a Thomas and Mack Center (TMC) potential remodel and modernization

Key TMC Statistics:

Completion Year: 1983

Project Cost: \$30m

Source of Funds: Debt financing through Slot Taxes

Floors: 2

Gross Square Feet: 267,450 gsf

Capacity: 18,500 – 19,500 seats depending on event

Major Remodels/Improvements to TMC:

Year: 1986

General scope of remodel/improvement: Build TMC Warehouse 1 & 2 to north – 12,000 gsf

Project Cost: \$1m

Source of Funds: Institutional funds/TMC

Year: 1992

General scope of remodel/improvement: TMC enlarge concourse, add restrooms and concession stands, new directional signs, acoustical treatment, upgrade interiors

Project Cost: \$7.5m

Source of Funds: \$3.6m state funds, \$3.9m institutional/TMC/other funds

Year: 1993-1994

General scope of remodel/improvement: Banquet Facility and Si Redd Room improvements

Project Cost: Unknown

Source of Funds: Institutional funds/TMC

Year: 1994

General scope of remodel/improvement: Build TMC Warehouse to west – 10,000 gsf

Project Cost: \$170,000

Source of Funds: Institutional funds/TMC

Year: 1999-2000

General scope for each remodel/improvement: TMC roof repair, upgraded restrooms, padded seats, upgraded concession stands, reconfiguration of main entrances, improve ADA access, improve outdoor mall area and lighting.

Project Cost: \$11.5m

Source of Funds: Approx. \$8.6m Debt financing through Slot Taxes, \$2.9m institutional/TMC/other funds

Year: 2006

General scope for each remodel/improvement: TMC central plant replacement – new heating and cooling plant, electrical service upgrades, 5,040 gsf.

Project Cost: \$7.9m

Source of Funds: Institutional funds/TMC

Year: 2011

Phase I roofing replacement/recoating – arena perimeter roofing near outer drain edge of dome, and recoating of some ancillary low roof areas, various limited safety and maintenance improvements (i.e. ladder access, firestopping, other items)

Project Cost: \$330k

Source of Funds: Institutional funds/TMC

Year: 2012

Install new house grid for event service and support

Project Cost: \$550k

Source of Funds: Institutional funds/TMC

Year: 2012

Consulting assessment of mechanical, electrical and fire alarm systems

Project Cost: \$88,000

Source of Funds: Institutional funds

Other Major Adjacent Investments:

Cox Pavilion

Completion Year: 2001

Project Cost: \$16.8m

Source of funds: no state funding – donor/sponsorship and institutional debt

Scope: 2,500 – 3,000 seats (depending on event) event and practice facility



Tropicana Parking Garage

Completion Year: 2009

Project Cost: \$14.5m

Source of Funds: no state funding – debt financing through parking program.

Scope: Added over 1,000 net parking spaces south of the TMC

Mendenhall Center – Men's Basketball Practice and Recruitment Facility

Completion Year: 2012

Project Cost: \$12m

Source of Funding: no state funding – donor funded

Scope: Provide 38,500 sf basketball practice facility

## University of Nevada, Reno

The University of Nevada, Reno has identified the following projects for the proceeds of the slot tax bonds:

### 1. Las Vegas UNSOM Building Planning - \$3 million

For the past three years UNSOM has been exploring opportunities to expand and enhance its presence in southern Nevada, to include a new signature building and/or campus. After investigating the possibility of renovating an existing building and an existing office center complex, it was finally decided to co-locate with the Clark County University Medical Center (UMC) on excess UMC property at the intersection of Charleston Avenue and Shadow Lane. A memorandum of understanding between Clark County and the UNSOM was signed and a local architectural and engineering firm was engaged to conduct a preliminary space study and building design, which has resulted in a 270,000 sq ft, \$230M Medical Education and Research Building.

Given the preliminary nature of the work to date, which was of necessity both expedited and limited in scope, \$3M in planning funds is now being requested to proceed to a true design phase. The earlier work should be vetted again and additional information obtained, including: surveying, soils reports, hydrology reports, geotechnical information and potential asbestos remediation for an existing on-site building to be demolished. The planning funds will also be used to move the project from the current pre-design phase through schematics which will also result in accurate interior and exterior renderings which can be used in support of a major capital campaign for the building.

### 2. Electrical System Replacement - \$3 million

This request is from our original 2013-15 submission to the 2% Replacement Value Projects list. These funds would be used to replace the 65-year-old 4 kV electrical system feeding the south and mid-campus areas with a new 25 kV service as well as replace numerous conduit switches and transformers. During the past year the campus has sustained numerous power outages which represent both a public safety issue as well as a threat to research projects without a UPS back-up electrical generation system.

### 3. Student Fitness/Wellness Center Planning/Renovation - \$7 million (total project)

In response to a longstanding need expressed by UNR students, we are exploring the possibility of substantially expanding and enhancing our student fitness/wellness physical facilities. Specifically, our current analyses are focused on the construction of a new center versus a major renovation of the existing Lombardi Recreation Center. In each case the preliminary cost estimates are between \$30 -\$40 million in total project costs. This request would provide for planning and partial construction funding for a new student fitness/wellness center or for the renovation of Lombardi Recreation Center.

4. Engineering and Science Building Planning and Renovation - \$15 million

The next major academic building project planned for the campus involves the construction of a new engineering and science building as well as the much needed renovation of the Palmer (constructed in 1941) and Scrugham (constructed in 1963) engineering buildings. With increasing enrollment in our engineering programs dated facilities have been an ongoing, and increasingly problematic, issue with the accreditation bodies. Moreover, the absence of the state-of-the-art Engineering facility is a significant liability for the institution and to NSHE with regard to attracting and retaining quality faculty and researchers. The addition of new science and engineering facilities are clearly aligned with the economic development priorities expressed by the Governor and endorsed by the Board of Regents.