

BUSINESS AFFAIRS AND HUMAN RESOURCES
APRIL 28, 2022

IDAHO STATE UNIVERSITY

SUBJECT

Holt Arena Renovation Life Safety Improvements

REFERENCE

June 2018	Board approved the ISU 6-Year Capital Project and planning and design for the Holt Arena renovation project.
August 2021	Board approved bidding and construction of the Holt Arena renovation project for a total cost not to exceed \$1 million above the amount fundraised for the project.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.K.2.

BACKGROUND/DISCUSSION

In August 2021, Idaho State University received Board approval to move forward with bidding and construction for the Holt Arena renovation project. This project will replace the 11,700 seats, provide essential ADA upgrades, and add hospitality suites. This project is 100% funded by philanthropic funds from a donor.

In March 2022, based on engineering recommendations, the University initiated a seismic safety study of the Holt Arena to determine the facility's current seismic capacity. A team of consultants headed by HOK conducted a technical evaluation of the facility and identified a series of life-safety improvements necessary for the project to continue. The facility, in its current condition, does not meet current seismic life-safety requirements. The total additional cost of these life-safety improvements totals \$7,000,000 over the approved project cost. This work will provide seismic bracing to bring the entire arena to modern seismic industry standards and also support the weight of the new seating.

In addition to the needed life-safety improvements, ISU requests Board approval to complete two needed facility renovations that were not included in the current project scope because donor funding did not cover the additional cost. However, now that unanticipated major structural work is needed on the facility and the contractor will be mobilized to address the structural life-safety issues, the University feels this is the time to address two other needed renovations. First, the installation of translucent panels on the north wall of the arena to bring in natural light. The design for this was part of the initial study completed in the Fall of 2020 outlining enhancements to the arena. Bringing natural light in over the top of the newly planned ADA seating on the North side of the arena is a significant improvement, especially for events in the daytime such as track and field meets and graduation ceremonies. Second, the ceiling of the dome is in need of repair

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as the original insulation has been damaged by years of roof leaks and facility use that, over time, degraded the insulation. Unfortunately, small portions of the insulation currently fall down into the arena on a regular basis. The University is repairing the roof leaks to prevent future degradation of the insulation. The most cost-effective solution is to seal the current insulation in place by installing a ceiling covering stretched across the arena rafters, giving the dome a smooth, clean appearance, concealing interior insulation, and preventing any pieces from falling into the arena. The estimated cost for these improvements is \$960,000 for the translucent panels and \$1,825,000 for the ceiling. Both of these improvements would be completed in 2023 during the second phase of the project.

Life Safety Improvements

Seismic Bracing Construction	\$7,000,000
<u>Total</u>	<u>\$7,000,000</u>

Renovations

Translucent Panels	\$960,000
Ceiling Treatment	\$1,825,000
<u>Total</u>	<u>\$2,785,000</u>
 <u>Request Total</u>	 <u>\$9,785,000</u>

IMPACT

Additional funding for the life-safety upgrades is necessary to complete the renovations to the Holt Arena. Without these upgrades, the facility will not meet safety standards and the building will be unusable and unsafe for patrons. It is essential that ISU be able to deliver this project for the benefit of the students and the entire community. Investment in the arena is prudent to bring it up to expected standards and refresh the facility so that it will serve ISU for another 50 years into the future.

To finance the renovations, the University will temporarily use one-time savings and institutional reserves. While the University's unrestricted reserves are sufficient to accommodate this, and these reserves are not committed or restricted to a specific use or project, it is University staff's intention to use them for strategic projects and initiatives. The University is currently working with bond underwriters and bond counsel to explore the issuance of a revenue bond to fund a series of academic space, research space, and campus infrastructure upgrades. The University has a bond payment that expires in the current fiscal year (FY 2022) with a final payment of \$152,000 and another bond payment that expires in FY 2023 with the final payment of \$3,600,000. The University is pursuing a new bond

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issuance following the final payments on these existing bonds to fund other campus improvements and will add the Arena renovations to the bond issuance. Rough preliminary estimates of the bond payment allocated to this Arena project would be approximately \$600,000 to \$650,000 annually. The proceeds of the bond will be used to reimburse any institutional reserves used in this project.

When ISU's current bond payments drop off in FY 2022 and FY 2023, it will open up capacity for new bond payments, funded through the Facility Fee.

ISU has significant additional debt capacity:

- ISU's Pledged Revenue to Debt Coverage Ratio is 11.5, as compared to the coverage requirement of 1.1.
- ISU's Debt Coverage Ratio, which measures excess income over adjusted expenses available to cover debt service is 3.59, as compared to the benchmark of 2.0.
- ISU's Debt Burden Ratio, which measures dependence upon borrowed funds as a means of financing our mission is 2.7, as compared to the benchmark of 8.0 per Board Policy V.F.4.c.

Based upon the outcome and feasibility of our financing exploration with underwriters and bond counsel, ISU will bring forth a request for bond issuance pursuant to Board Policy V.F. and funding for the Holt Arena life safety and functional improvements through bond financing pursuant to Board Policy V.K.2.d at a forthcoming State Board of Education meeting.

ATTACHMENTS:

Attachment 1 - Rendering - Ceiling Treatment and Translucent Panels

BOARD STAFF COMMENTS AND RECOMMENDATIONS

ISU is requesting Board approval for increased costs on a previously authorized donor-funded project. Project cost increases will be cash-flowed with ISU unrestricted reserves, but ISU intends to come back to the Board at a later date to seek approval for issuance of a revenue bond to fund several capital projects and reimburse institutional reserves. ISU's current debt burden ratio (debt service divided by annual adjusted expenses) is well below the 8% limit established in Board policy.

This request complies with Board policy, which requires Board approval of project costs changes in excess of \$1 million. The original Board-approved project cannot move forward without the seismic upgrades, and the additional enhancements will create an improved space for a variety of uses.

Staff recommends approval.

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BOARD ACTION

I move to approve the request by Idaho State University to proceed with the seismic bracing and renovations to the Holt Arena for a total project cost not to exceed \$9,785,000.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

