

**Item Title:** Wake County Public School System CIP 2013 Reallocations and Appropriations (First Reading)

**Specific Action Requested:**

That the Board of Commissioners receives information from the Board of Education on its request for a reallocation and appropriation in CIP 2013. If there are no outstanding questions, the Board of Commissioners will be asked to approve the following action item on January 3, 2017:

1. Reallocate and appropriate a total \$1 million in CIP 2013 for startup design for a public-private partnership between the Board of Education and The YMCA of the Triangle Inc. for development of an elementary school (E-46) in Southeast Raleigh.

**Item Summary:**

**Overview**

The Board of Education is requesting that funds be reallocated and appropriated as follows:

	Plan of Record/Budget			Appropriations		
	<u>Current</u>	<u>Reallocation</u>	<u>Proposed</u>	<u>Current</u>	<u>Appropriation</u>	<u>Proposed</u>
	<b>CIP 2013 Building Program</b>					
<b>New School Projects</b>						
E-46 New Elementary* (2019) SE Raleigh	-	1,000,000	1,000,000	-	1,000,000	1,000,000
	-		-	-		-
<b>Other Projects</b>	-		-	-		-
Startup Designs	7,477,677	(1,000,000)	6,477,677	-		-
<b>Total Reallocation/Appropriation</b>	<b>7,477,677</b>	<b>-</b>	<b>7,477,677</b>	<b>-</b>	<b>1,000,000</b>	<b>1,000,000</b>
*E-46 funds are included in the FY2017-FY2023 WCPSS CIP						

**Project Overview**

On November 15, 2016, the Board of Education adopted a resolution stating there was a critical need for the described capital project pursuant to NCGS 143-128.1C. Under this statute, a capital project can be built for the benefit of both the government and private entity as a public-private partnership. A development contract is required where the private developer is required to provide at least 50 percent of the financing for the total cost necessary to deliver the capital project either through a lease or ownership for the governmental entity. Payments by the governmental entity cannot count towards the private entity's fifty percent contribution.

WCPSS envisions entering into a partnership with the YMCA of the Triangle. The YMCA of the Triangle owns approximately 31 acres in Southeast Raleigh off of Rock Quarry Road. There, the YMCA plans on constructing a 110,000 square foot building, for which 35,000 square feet would be used primarily by the YMCA and 75,000 square feet would be used primarily by WCPSS for an elementary school accommodating approximately 500 students. The YMCA would be the developer and would be

responsible for the design and construction of the facility; however the Board of Education will have the right to approve the design of the building.

The YMCA will lease the school portion of the Facility, together with shared use of the YMCA portion of the Facility, to the Board of Education. The YMCA will have the right to use the portion of the school space leased to the Board for YMCA activities. It is contemplated that the initial term will be for 20 years with three ten year renewal periods. The building is anticipated to be completed in time to open for the 2019-20 school year. The location is in the E-46 target circle.

Including the value of land, the total estimated cost of the project is \$40.2 million. The total estimated cost of the construction project is \$35.7 million. WCPSS estimated cost is \$18.5 million. The contemplated structure of the public-private partnership is:

- \$1 million for design
- \$2.5 million when building construction begins, either as a capital contribution or lease payment
- \$2.5 million at 50% completion, either as a capital contribution or lease payment
- Remainder due after occupancy, plus the YMCAs actual construction interest cost. This amount would be paid in three payments (90% at occupancy, 7.5% after punchlist items and permanent certificate of occupancy obtained, and the remainder after the final auditing and closeout of the construction contract). This amount is estimated at \$13.1 million.

### **Reallocation and Appropriation Request**

At this point in time, the Board of Commissioners is only requested to appropriate \$1 million for design in order to allow design of the project to commence. The lease agreement, and corresponding payments, will come before the Board of Commissioners once the guaranteed maximum price contract for construction (GMP) of the building and WCPSS allocated cost is known. The lease agreement will also be subject to approval by the Local Government Commission. Funds for this partnership are contemplated as part of the WCPSS 2017-2023 CIP.

### **Staff Comments**

A draft of the development agreement (development contract pursuant to NCGS 143-128.1c) between the YMCA and the Board of Education is attached. It is anticipated that this development agreement will be approved by the Board of Education at their December 20, 2016 meeting. Although Wake County is not a party to the development agreement, the terms of the agreement are significant as the County will need to approve a subsequent lease agreement and corresponding appropriations related to the structure of such agreement. The office of the County Attorney has reviewed the proposed development agreement which will be presented for approval at the December 20, 2016 Board of Education meeting. The Board of Education's approval of the development agreement is subject to the Board of Commissioners reallocation and appropriation of \$1 million for startup design for the public-private partnership.

### **History of CIP 2013**

On October 8, 2013, Wake County citizens approved the authorization of \$810 million of general obligation bonds for the Wake County Public School System 2013 Capital Improvement Program. On October 21, 2013, the Board adopted the resolution

declaring the results of the October 8, 2013 bond referendum. These bonds, plus cash appropriations, fund the WCPSS CIP 2013 Building Program. On November 18, 2013, the Board of Commissioners was asked to approve the original CIP 2013 Plan of Record, which consisted of \$43,800,000 from existing County funding, and \$939,954,793 in future funding for a total program amount of \$983,754,793. On June 16, 2014 the Board approved a Plan of Record increase in the amount of \$6,799,974 as a result of proceeds of the sale of the 3600 Wake Forest Road Site. On July 6, 2015 the Board approved a \$775,000 increase to the Plan of Record to reflect a reallocation of \$775,000 in CIP 2006 savings to CIP 2013. The Board approved a \$2.6 million increase to the Plan of Record on October 19, 2015 as part of another reallocation of savings from CIP 2006 to CIP 2013. On February 15, 2016 the Board increased the Plan of Record by \$4,454,720 to reflect proceeds from the sale of the original H-6 site (CIP 2006). The Plan of Record currently totals \$998,384,487.

The Capital Improvement Program contemplates commitments through fiscal year 2017. It provides for construction of fifteen new schools: ten new elementary schools, three middle schools and two high schools. Additionally, the plan includes funds for five major renovations, start-up construction costs at five other schools, life cycle equipment replacement, educational equipment replacement, technology and security, land acquisition and start-up design for new schools, facilities assessments and program management and contingency. To date \$887.3 million has been appropriated; eight new schools and one major renovation have been completed. Currently, six new schools and four major renovations are in the construction phase. One new school will bid in spring 2017.

CIP 2013 originally included funds for eleven new elementary schools, three new middle schools, two new high schools, six major renovations and startup renovation costs for three schools. On July 6, 2015 the Board of Commissioners approved the Board of Education's request for several changes to the program. Two projects were deferred to the next building program. The construction of a new elementary school in Holly Springs (E-46) was deferred due to site identification difficulties, and a major renovation at Vandora Springs Elementary was deferred due to swing space timing needs.

### **Attachments**

1. Presentation
2. Resolution
3. CIP 2013 Appropriation Summary as of January 3, 2017
4. Board of Education Development Agreement Resolution
5. Development Agreement Contract Pursuant to NCGS 143-128.1c
6. Board of Education Reallocation and Appropriation Resolution