

SCHOOL FACILITIES BOARD
 October 4, 2007
 Gilbert, Arizona

The School Facilities Board held a board meeting at the South Valley Junior High School library in Gilbert. The meeting began at approximately 10:05 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Davidson, Frank, Chair	Patrick Calvin, Glendale ESD
Keenan, Brooks, Vice Chair	Doug Chancey, Glendale ESD
Gober, Patricia	Dana Hawman, Florence USD
Marks, Gary	Jay St. John, Sahuarita USD
Ortega, David	Guy Bake, Santa Cruz Valley USD
Rushin, Tom	David Ramsower, PinnacleOne
Taylor, Penny Allee	Bill Taylor, DLR Group
<u>Friesen, Lyle, Superintendent's Representative (non-voting)</u>	Cathy Rex, Tucson Architect
	Gordon Vasfaret, BESD
<u>Members Absent</u>	Lester Dunning, BESD
Private Business Owner Representative, position vacant	Jim Westberg, AZ Dept. Commerce Energy Office
Teacher Representative, position vacant	Jeff Windle, Appraisal Technology, Inc.
	Terry Bohl, McCarthy
<u>Staff Present</u>	Ron Peters, BPLW&ASCG Architects
John Arnold, Executive Director	Molly Smith, thinkSMART planning
Monica Petersen, Deputy Director of Finance	Dave Gornik, Sundt Construction
Debra Sterling, Attorney General's Office	Alfonzo Maza, Sundt Construction
Heather Gamby, Executive Assistant	B.A. DeLancer, Kitchell
Kerry Campbell, Public Information Officer	Bruce Faught, Kitchell

- I. Call to Order
 Frank Davidson called the meeting to order at approximately 10:06 A.M. Brad Barrett, Gilbert Unified School District superintendent, welcomed the board.

- II. Roll Call
 There were eight Board Members present at this meeting, seven voting members and one non-voting member.

- III. Approval of Minutes of September 6, 2007, September 21, 2007, and September 27, 2007
 Patricia Gober moved that the Board approve the minutes of September 6, 2007, September 21, 2007, and September 27, 2007. Brooks Keenan seconded. Motion passed on a 7-0 voice vote.

- IV. Consent Agenda
 - a. Consideration and possible vote of Preventive Maintenance Plans
 Tom Rushin moved that the Board ratify Buckeye Elementary District and Tanque Verde Unified District. David Ortega seconded. Motion passed on a 7-0 voice vote.

V. Director's Report

a. Litigation Update

A motion to go into executive session was made by Gary Marks. Penny Taylor seconded. Motion passed on a 7-0 voice vote. The Board was in Executive Session from approximately 10:13 a.m. to 10:45 a.m.

b. Energy Grant Applications

John Arnold explained that staff has been working with the State Energy Office on the criteria and applications for the \$2.5 million grant program for energy efficiency upgrades and energy audits, established by HB 2792. Drafts of the criteria and applications were brought before the Board at the September meeting, and staff has received feedback from districts.

The maximum project development grant amount, originally capped at \$25,000 per district, has been raised to \$40,000 per district due to several complaints that the original amount was too low. Additionally, some language was added to the Energy Project Development Grant application to indicate that funds will be available to districts that already have equipment in place, but need to analyze procedures and behaviors in the district.

Penny Taylor asked if districts had shown much interest in the grants thus far. John Arnold replied that several had contacted him with questions, but added that others may have contacted the State Energy Office.

Frank Davidson asked if there had been input on areas of concern regarding the application process or criteria. John Arnold replied that there had been concern expressed that the criteria would exclude districts that had made local investments into energy conservation equipment, and that this was why language was added to include behavior and policy components of energy conservation. Staff believes that the current criteria are broad enough to allow for this.

Penny Taylor asked if there was a link on SFB's website to the information, and how someone would find out about the program. Mr. Arnold replied that a marketing plan has been discussed and the information will be on the website. A broadcast email with a link to the site will be sent to every school district in the state. Additionally, two State Energy Office staff members are going out and speaking to raise awareness of the program.

David Ortega stated that one requirement is that the school boards provide the authorization for the application, and that along with this, they will need to prioritize which schools within their districts are most in need of energy guidance. The districts would then need to reapply in subsequent years to address the schools that are not the top priority but are still in need. Mr. Ortega stated that although funds may be available, there is a cap, and that the districts would have to continue the program. Mr. Arnold added that the hope is that the program will be ongoing, and that although funds won't be available for each facility, districts can develop a model that they can apply throughout their schools.

Penny Taylor asked if the \$2.5 million in funds is available annually and if unused portions would revert back to the general fund. John Arnold replied that the funds are a one-time grant appropriated in fiscal year 2008 and that the funds are non-reverting.

Judy Richardson of Stone & Youngberg addressed the Board regarding the local resource index in the criteria. Ms. Richardson recommended that secondary assess valuation be used instead of primary assess valuation. There is not typically a large difference between primary and secondary; however, this year there was a substantial difference, in large part due to a dramatic increase in home values. Ms. Richardson stated that in addition, districts cannot be compared to one another fairly since they are structured differently, i.e., unified versus elementary. One option would be to look at them separately by type, and another would be to determine the wealth per pupil based on K-8 and K-12 components.

John Arnold stated that staff is aware of the concern with the unified versus elementary district issue, and will take it into consideration. He also added that staff does not have an issue with changing the valuation from primary to secondary.

Tim O'Brien of VSIT addressed the Board. Mr. O'Brien stated that he and others had participated in the development of the legislation pertaining to the energy program grants with legislative staff. He relayed that representatives were very supportive of the program and would like to receive information back that can be used by the legislature to determine what actions are appropriate and what is being done in schools. Mr. O'Brien explained that the program ties into the excess utilities issue and whether or not schools are using funds appropriately and sustainability once excess utilities is taken away. Mr. O'Brien suggested that there might be some other criteria that may be valuable when forwarding information to the legislature, which would ultimately assist in keeping and perhaps increasing the program.

Brooks Keenan moved that the Board approve the Energy Project Development Grant Application, the Energy Project Implementation Grant Application and the Terms and Conditions for acceptance of monies from the Arizona Energy and Water Savings Grant Fund with the following amendment: that the local resource index be changed from primary valuation to secondary valuation. David Ortega seconded. Motion passed on a 7-0 voice vote.

VI. New School Construction

a. Consideration of New Construction Projects Review, Bids, Bid Packages, and Change Orders:

Gary Marks moved that the Board approve the following:

1. **Apache Junction Unified District's** request to proceed with CM@Risk Project 110243000-9999-006N, upon staff receipt of necessary documents, and that the Board approve additional funding for specific site

requirements in the amount of \$199,900, and additional funding for inflation in the amount of \$1,228,629.

2. **Buckeye Elementary District's** request to proceed with CM@Risk Project 070433000-9999-010N, upon staff receipt of necessary documents, and that the Board approve additional funding for specific site requirements in the amount of \$46,021, and additional funding for inflation in the amount of \$1,073,069.
3. **Maricopa Unified District's** request to proceed with CM@Risk Project 110220000-9999-017N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$340,894.
4. **Santa Cruz Valley Unified District's** request to proceed with CM@Risk Project 120235000-9999-006N, upon staff receipt of necessary documents, and that the Board approve additional funding for specific site requirements in the amount of \$472,091, and additional funding for inflation in the amount of \$2,395,803.

Tom Rushin seconded. Motion passed on a 7-0 voice vote.

b. Other New Construction Issues:

Maricopa Unified Project 110220000-9999-020N: John Arnold explained that at the September 6, 2007, meeting, the SFB approved additional square footage for project 110220000-9999-020N. The dollar cost associated with this square footage increase was inadvertently omitted from the write-up. The cost was \$1,971,855.

Saddle Mountain Unified Projects 070390000-9999-002N (9-12 High School) and 070390000-9999-005N (K – 8): John Arnold explained that both of these projects are currently fully designed and ready for permitting. Both projects were procured using the CM@Risk method of construction delivery and staff has GMP's on both projects. As part of its final review before bringing new school construction projects to the Board, staff completed a current review of the school district ADM. Staff determined that at this time the ADM is not sufficient to recommend beginning construction of either of the two schools.

For both of these projects, 5 percent of the total award was distributed to the district. However, the procedure staff has implemented when a project is delayed is to bring the construction documents to the point of submittal for permitting (a fully designed school), with the intention of bringing the entire team back together when the district's ADM once again substantiates the need for the school. This process brings the construction manager's pre-construction contract to completion and the construction documents to a defined stage in the architect's contact. Since most school districts currently use the CM@Risk method of delivery, this stopping point in the process generally requires funding in excess of the awarded 5 percent.

After a careful review of the design and pre-construction contracts, staff recommended that the Board increase the allowable dollars for preconstruction. The Board accepted the recommendation at its meeting on June 7, 2007. Since that meeting, additional information has been presented to staff that has adjusted the needed amounts.

Staff requests that the Board reduce the available dollars for project #002 (Tartesso High School) by \$6,761 to \$1,104,147, and increase the available dollars for project #005 (Trillium Elementary) by \$5,527 to \$609,492. This award will not increase the total project budget, but only increases the dollars that are available prior to construction.

David Ortega noted that there seem to be more projects being shelved, and questioned whether or not drawings should be left at 80-90 percent complete, as opposed to being completely finished, so that once a district is ready to resume the construction it can have completed drawings readily available. Mr. Ortega requested that staff ensure that when projects are put on hold districts have a provision in their contract with the architect to ensure that when the project resumes it is as financially sound as possible. He added that perhaps a fee estimation should be agreed to ahead of time to keep costs under control while a project is on hold.

John Arnold stated that he would ensure that this subject is addressed between SFB staff and architects, and that any terms decided upon will be reported back to the Board.

Patricia Gober asked if ADM is continually re-evaluated as a part of SFB's process or if it has been re-evaluated in response to the current housing market. John Arnold responded that staff conducts consistent reviews on every outstanding project, and that ADM is always reviewed once districts are ready to begin construction. Dr. Gober asked whether or not it is financially reasonable to place part of a project on hold considering inflation. Mr. Arnold replied that the SFB may decline to fund a project if the square footage is no longer required due to revised enrollment projections, but that it uses discretion in doing so. For example, if a district is short two students in ADM review, SFB will not discontinue the project. If it appears that the ADM will most likely not justify the need for increased square footage for several years, then a project is usually stopped. Trends, projections, and the district's wishes are all taken into consideration when determining how to proceed.

Brooks Keenan moved that the Board accept the staff recommendation to revise the distribution for project 070390000-9999-002 to \$147,052 and for project 070390000-9999-005 to \$117,185. Gary Marks seconded. Motion passed on a 7-0 voice vote.

- VII. Consideration of Request for Land or Real Property Purchase, Lease or Donation including requests from:
- a. Step I & II: Justification of Need for Land and Request to Purchase a Specific Site

Patricia Gober moved that the Board approve the following:

1. **Littleton Elementary School District's** request to proceed with Step III on 16.118 acres for an elementary site, project number 070465000-9999-010L.
2. **Maricopa Unified School District's** request to proceed with Step III on 12.54 acres for an elementary site, project number 110220000-9999-034L.

Penny Taylor seconded. Motion passed on a 7-0 voice vote.

b. Step III

1. **Glendale Elementary School District project number 070440000-9999-007L:** John Arnold explained that this site has dilapidated structures on it and requires more site testing to determine the existence of lead or asbestos. Testing cannot be completed until ownership of the site is established.

Gary Marks made a motion to approve Glendale Elementary School District's request to proceed with the purchase of 20 acres for an elementary school site, project number 070440000-9999-007L. Penny Taylor seconded. Motion passed on a 7-0 voice vote.

2. **Laveen Elementary School District project number 070459000-9999-012L:** John Arnold stated that there are some existing power lines on this site, but that APS will relocate the lines at a cost of approximately \$150,000.

Brooks Keenan moved that the Board approve Laveen Elementary School District's request to accept a donation of 9.161 acres for an elementary school site, project number 070459000-9999-012L. Gary Marks seconded. Motion passed on a 7-0 voice vote.

3. **Sahuarita Unified School District project number 10230000-9999-010L:** John Arnold explained that this site is a 66-acre full purchase for a high school. Two appraisals were ordered, the results of which differed significantly. The first appraised the property at a value of approximately \$20,000 per acre; the second appraised it at approximately \$80,000 per acre. The lower value was offered to the property owner and was declined.

A review appraisal by a third party was ordered. The review appraiser reviewed the previous two appraisals and concluded that there were errors in each of the reports pertaining to zoning. The review appraisal valued the property between \$25,000 and \$35,000 per acre.

At this juncture, one option is to request that the review appraiser move forward with a full appraisal of the site, but it is likely that the assessed

value would remain within the \$25,000 to \$35,000 range. However, the district has indicated that the owner will not entertain an offer in this range. Staff is recommending that the Board approve the lower value within the assessed range, which would allow the district to make a formal offer to the owner. If the owner rejects the amount, the district can abandon the site and look for a new one or use eminent domain and look to a court to establish value. In effect, the Board's approval of the current appraised amount would allow the district to move forward into other options.

Dr. Jay St. John, Sahuarita Unified District, addressed the Board. Dr. St. John stated that he is recommending that the Board request new appraisals. He described four comparatives for the Board. First, Park Corporation sold 19.07 acres within one mile of the site in question for \$301,000 per acre. Second, they purchased a 5.37-acre parcel within 500 yards of the site in question for \$304,000 an acre. Third, the district is currently engaged in an equal value trade for a parcel located within two miles of the site. An appraisal has assessed that property at \$250,000 an acre. Fourth, a land donation from Rancho Sahuarita has been assessed at \$115,000 to \$168,000 an acre. Dr. St. John stated that based on this, the three appraisals ordered by the Board are ludicrous and unacceptable.

Dr. St. John added that the 66-acre site in question has water, sewer, and power, as well as an adjacent road. Archaeological and environmental studies have already been conducted. He further indicated that based on the SFB's appraised values, land owners would have no interest in negotiating land donations or sales with the school district and this would impede the search for an alternate site.

Dr. St. John stated that new appraisals should be ordered, and recommended that the appraisers speak to himself and the Board.

Brooks Keenan asked Dr. St. John if postponing action on this item for a month would allow him sufficient time to confer with his district's board on how to proceed. Dr. St. John indicated that thirty days would be appreciated.

David Ortega asked what the current general plan designation was. Dr. St. John answered that it is designated as "mixed use." Mr. Ortega asked if Dr. St. John had had informal discussions with the property owner, and if thirty days was sufficient for him to address the issue with Sahuarita's board, or if forty-five days would be preferable. He noted that the next Board meeting is scheduled for November 1st, already less than thirty days away, and suggested that perhaps the December Board meeting would be optimal. Dr. St. John explained that he is concerned about the fast-approaching August 2008 targeted opening for the new school, but also really needs the time to do more research and confer with the Sahuarita Board, and agreed that December would be appropriate. He confirmed that he had engaged in informal discussions with the property owner.

David Ortega asked John Arnold if the Board was empowered to order further appraisals. John Arnold stated that staff has no issue with tabling this item until December, and that it was put on this agenda because staff's understanding was that it was the district's desire to move forward now. He indicated that the Board does have the option to order an additional appraisal, but cautioned that it may be stepping out of established practices on how the SFB determines fair market value. Since three appraisals have already been conducted, it is a concern that the SFB would be "shopping" for another appraiser. Mr. Arnold indicated that the appraiser who conducted the review appraisal was present and could answer questions.

Dr. St. John addressed the Board. He stated that he came to the meeting to try to stop the Board's action on this item, because if he went to the property owner with an offer within the SFB's appraised values it would automatically be rejected, which would ultimately keep the project from moving forward.

David Ortega indicated he would like to pose questions to the review appraiser, Jeff Windle of Appraisal Technology, Inc. Mr. Windle addressed the Board.

Mr. Ortega asked if Mr. Windle had considered the utility availability and street improvements as well as strategic value when evaluating the site. Mr. Windle indicated that he had, and that on his report as well as the others, if utilities were not available to sites on comparable sales then adjustments were made accordingly. He stated that the highest and best use is derived from whether or not it is legally permissible, physically possible, financially feasible, and a maximum productive use of the site. These four criteria are used to determine the use of the site and that of the selected comparable sites.

Mr. Ortega explained that in addition, if the site has the potential under the general plan for conversion and mixed uses, then there is a substantial gain in value over rural residential. Mr. Windle clarified that the general plan for the site is low-density residential, and would require an amendment to be changed to commercial. Mr. Windle added that the sales selected as being comparable to the site in question were commercial sales, and the sales presented by the owner were approximately 3-acre sites versus the current 66-acre site, which in his opinion are not reasonable comparisons.

David Ortega asked what the threshold for a site general plan amendment is. Mr. Windle replied that typically, general plan amendments from residential use to commercial use are not made, but that even if the area was zoned as commercial, there might be no financial advantage. He added that in his understanding, general plan amendments are heard once a year. Mr. Ortega asked if commercial zoning would be the highest and best use of the site. Mr. Windle replied that in his opinion, it would not be.

Mr. Ortega asked if the appraisal is considered current since it was conducted six months ago. Mr. Windle replied that the standard for current appraisal and for market condition adjustment is really not time specific, but has more to do with changes in market fluctuation. Mr. Ortega asked if there would be an alternate appraisal value if the site consisted of 40 acres rather than 66 acres. Mr. Windle replied that based on current market conditions, the site would still not meet the criteria of highest and best use if it were 26 acres smaller.

Patricia Gober expressed concern over setting a precedent for shopping for appraisals and tabling motions in order to get an appraisal that meets certain perimeters. If there are two appraisals and a review appraisal, this should be adequate.

Penny Taylor agreed with Dr. Gober and also expressed sensitivity to Sahuarita not having had the time to adequately address the issue. Ms. Taylor suggested that the item be addressed at the November Board meeting, so that the district has more time, but that it not be put off until December, which would delay the project even further.

Brooks Keenan stated that in his experience, eminent domain can be valuable in these types of situations, and that in this case, it would allow the district to move forward.

Frank Davidson added that he is sensitive to the time constraints as well, and that none of the members of the Board have expertise in the area of land appraisal. He explained that per policy for the purchase of land, the SFB orders two appraisals. Per statute, the Board is to approve purchase for market value or less. Mr. Davidson explained that the Board should consider the request to table the item until November, but that the Board must ultimately take action based upon the results of the appraisals already conducted.

John Arnold clarified that the Board is to ascertain whether the site is appropriate for a school, and how much it authorizes the district to offer the owner for purchase of the site. Staff is supportive of the notion that if the Board is to authorize more than the amount recommended, that that value be set by a court through the eminent domain process. Mr. Arnold agreed with Mr. Davidson's assessment that the Board will have to vote on the appraisals already conducted, and allow the district to either identify another site or proceed with the eminent domain process.

Penny Taylor made a motion to postpone action on Sahuarita Unified School District's request to proceed with the purchase of 66 acres for a dual elementary/high school site, project number 10230000-9999-010L. Gary Marks seconded. Motion passed on a 7-0 voice vote.

VIII. Policy Review

- a. Policy Review: The policy before the Board for review this month is IV. Land Acquisition. This policy will be placed on November's Board meeting agenda for approval. John Arnold pointed out that a key proposed revision to the policy is the removal of minimum site size requirements. Several recommendations have been received regarding this requirement, with the belief being that property within established neighborhoods would be excluded, thereby forcing school districts to the outskirts. Current maximums will be kept in place.

In addition, language regarding the establishment of fair market value of donated property, which specifies that if an appraisal has "expired," the property will be re-appraised. Clarification was also added indicating that the Board will not approve or pay for district legal expenses if the county attorney's office is available. A clarification on the level of title insurance was also included.

Cathy Rex of the Southern Arizona School Facilities Group addressed the Board. Ms. Rex stated that school districts were very concerned about minimum site size requirements and that they were major points of discussion when the land acquisition policy was first developed. Districts should be able to address their concerns and the removal of the minimums should be looked at very carefully. Ms. Rex indicated that there are already provisions in place that allow districts to have less than the minimum site size. She added that to remove the minimum could mean that districts would be limited in their ability to add classrooms or even other schools to the site later on. Lastly, Ms. Rex explained that the removal of the requirement would discourage developers from providing reasonable sized donations. Having the minimum in place gives the districts bargaining power in securing sites of significant sizes.

- b. Policy Approval: Brooks Keenan moved that the Board approve the proposed changes to SFB Policy II. Policy Development, which was reviewed at the September 7, 2007, Board meeting. Tom Rushin seconded. Motion passed on 7-0 voice vote.

IX. Consideration and Possible Vote of Emergency Deficiency Projects

John Arnold explained that Show Low Unified District has contacted the SFB requesting emergency funding for replacement of the septic system at Linden Elementary School. An inspection by the Arizona Department of Environmental Quality found that wastewater effluent from on-site septic surfaced onto the playground.

Gary Marks moved that the Board accept the staff recommendation to award \$39,956 to the Show Low Unified School District to correct the septic system at Linden Elementary School. Penny Taylor seconded. Motion passed on a 7-0 voice vote.

X. Future Agenda Items

None.

XIII. Public Comment

None.

XIV. Adjournment

There being no further business, Frank Davidson adjourned the meeting at approximately 12:19 P.M.

Approved by the School Facilities Board on November 1, 2007

Frank Davidson
Chair