

SCHOOL FACILITIES BOARD
September 19, 2005
Phoenix, Arizona

The School Facilities Board held a board meeting at the State Capitol in Phoenix. The meeting began at approximately 10:00 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Chovich, Cynthia	Jim Migliorino, Deer Valley USD
Conley, Patrice	Scott Thompson, Dysart USD
Davidson, Frank	
Gober, Patricia	
Keenan, Brooks-Vice Chair	
McGee, Kate, Chair	
Ortega, David	
<u>Members Absent</u>	
Granillo, Peter	
Taxpayer Representative Position Vacant	
Vicki Salazar/Phil Williams, Superintendent's Representative (non-voting)	
<u>Staff Present</u>	
William Bell, Executive Director	
John Arnold, Deputy Director of Finance	
Tim Brand, Deputy Director of Facilities	
Charlotte Hosseini, Special Projects	
Debra Sterling, Attorney General's Office	
Kristen Landry, Public Information Officer	
Amber Peterson, School Finance Specialist	

- I. Call to Order
Board Chair, Kate McGee, called the meeting to order at approximately 10:05 A.M.

- II. Roll Call
There were seven Board Members present at this meeting.

- III. Land Acquisition Overview
 - a. Purchases within a Development
Director Bell explained that there are times where large developments are planned and sites are not donated.

David Ortega stated that there are times where a donated parcel may have other issues that could raise the price such as geological problems. Director Bell added that staff has seen similar issues such as a parcel that needed \$1 million to make it suitable to build. He added that staff looks at what is actually usable acreage before accepting a site. Director Bell asked if the Board should consider pursuing donations in developments of a certain size.

Frank Davidson stated that he supports the idea that districts should not accept voluntary impact fees from developers and then expect the SFB to purchase sites. He added that there may be factors that are more advantageous for a developer to not make a donation of a site and instead set aside money for a district and await purchase of that land by the SFB. He noted that as the cost of land quickly increases, this can put a donor in a situation that is not financially advantageous. He suggested timing the appraisals closer to the acceptance of the parcel. He also suggested holding a workshop for districts to understand the land acquisition process.

Patricia Gober stated it is the SFB's responsibility to create a level playing field and let market forces operate. Buying land from some developers and accepting donations from others creates an uneven playing field. She asked if the need to purchase land is increasing. Director Bell stated that the requests to purchase a site or purchase a partial site are occurring more frequently. Ms. Gober asked how much staff knows about the motivations of the developer. Director Bell stated that staff does not know much about the developer. He added some developers are willing to donate while others state their developments are not large enough to donate. Districts primarily work with developers to secure donations.

Pat Conley stated that early on in the Students FIRST program, donations were nearly unheard of. She added that in the past, staff slowed down the action of purchasing and developers eventually came around and donated land. She noted that the Attorney General's Office issued an opinion on impact fees. Director Bell stated that staff is not aware of what districts receive impact fees. John Arnold added that staff does not track impact fees and there is really no way for the staff to know if that arrangement is in place.

Brooks Keenan stated that some developers publicly promoted donations. But others seem to have market forces driving them to sell. He added that the SFB does not have the power to force developers to donate.

Cynthia Chovich asked if there is information on what other states are doing. John Arnold stated that he was unaware of any other states that buy land; most acquisitions are done at the local level.

David Ortega suggested that the State Land Department hold aside acreage for school sites for growing areas as with Deer Valley. Those sites could be outside the boundary of land for sale or adjacent to it. John Arnold said that staff previously met with the State Land Department and they said that setting aside school sites was in conflict with the administration of the trust.

Kate McGee said that the developer creates the demand for a site and forcing them to provide a site is beyond the SFB's control, but possibly should be mandated legislatively. She asked who orders the appraisal, who is the client, and asked if the Board has ever denied a donation.

Patricia Gober stated that she does not agree that the Board does not have control over donations. She noted that the developer would lose money if there is not a school within the development and that would motivate developers to donate.

Director Bell stated that the statute requires the SFB to provide land if the district shows a need.

Kate McGee suggested treating acquired land as we do State Trust Land where the SFB does not relinquish ownership. She requested staff look into the Attorney General's opinion on impact fees and agreed a workshop for the districts would be beneficial. Ms. McGee also agreed there are some donation strategies the Board should look at including: working with developers, State Land Department and legislation.

b. Partial Purchases/Partial Donations

This discussion corresponded with the above discussion.

Referring to the disposition of land policy, David Ortega asked how the proceeds of a land sale are distributed in a partial donation/partial purchase deal. He noted that it is possible to err in the acquisition of land and have the need to dispose of it later. Director Bell said there has been at least one instance where that has occurred and money was returned to the state without any problems.

Cynthia Chovich stated that the policy book discusses donations of elementary sites within developments. She suggested this be clarified to indicate what a "significant portion" is.

Pat Conley reiterated that the goal of the SFB was to be a resource for school districts. She suggested the SFB become a partner with districts in finding the best location and look at their strategies.

c. Donations for B-Bond Schools

John Arnold discussed the rule of constructing bond-funded schools on SFB acquired land.

Frank Davidson asked if the district would receive the donation factor if the district secured the donation and constructed a bond-funded school on it. John Arnold said the district is not eligible for a donation factor on land they acquired on their own. Brooks Keenan asked if the developer would be eligible for their tax credit if they donated it directly to the district. Mr. Arnold stated that he is

not entirely aware of the IRS rules, but believes they would be eligible for any school site.

Kate McGee asked what happens if there is never a need for another site. John Arnold explained that in the case of Fountain Hills, the district has never needed another site. But, if they ever do qualify, the rule is still in effect and they would have to acquire the next site. He added that if a site is donated and the SFB has assumed that it is for an SFB school, the state would be out a site even though the land is free. Kate McGee stated she does not believe this is a problem if the land is free.

Patricia Gober asked what the ratio is of what was spent on land vs. new construction in 2003-2004. John Arnold stated that the Board spent about \$300 million in new construction and \$30 million in land for 03-04.

David Ortega stated that in the case of Fountain Hills, the State Land Trust was the key in facilitating a site. He added that the trend is moving towards State Trust Land areas.

Pat Conley said she is concerned in making a policy on something that has never happened. She added there could be special circumstances that would cause this issue. She said she prefers to review this on a case-by-case issue.

Kate McGee said it would be helpful to have the number of bond-funded schools and the amount of invisible square feet. She added that the indebtedness of the bonds has gone up. She said the original purpose of the SFB was to diminish money for local communities' indebtedness.

Director Bell stated that staff had hoped to gather information to revise the existing policies. He would like information from the public on these issues.

d. Land inventory and impact of multiple donations on a district

Director Bell asked if the SFB should require districts use inventoried land.

Frank Davidson said that the Board should consider a district's geographic area. Using Deer Valley as an example, he said their district covers 300 miles, a site 15 miles away from the growth, would not serve their needs. Mr. Davidson added that his district, Casa Grande Elementary is 400 miles and has been offered sites near Eloy and Marana. He does not believe forcing a district to use their inventory is practical.

David Ortega said he did not know if the SFB could force a sale.

Kate McGee suggested treating donated land as you would State Trust Land and stated this is an issue that impacts the budget. She suggested that districts develop a masterplan, but added that it is difficult to look beyond their current growth especially if the enrollment goes elsewhere. Ms. McGee noted that the SFB looks at a district as a whole and not the particular developments.

Frank Davidson asked if a district has multiple sites in their inventory, does that mean they have come before the board. Director Bell indicated that it could mean that, but districts can secure land through other means.

Brooks Keenan said the policy states that donations are approved by the SFB and once the district breaks ground, they receive a 20% donation factor. He added that the missing link in that is a timeframe. He suggested not accepting donations so far out.

Frank Davidson suggested bringing districts together to help those that do not have experience in negotiating with developers. He added that in his district, they have worked to secure donations, but in many cases the land is never deeded over until the development takes off.

IV. Appraisals

a. Expiration of Appraisals

Director Bell explained that in some instances Districts request a new appraisal be done due to timing issues. He suggested that the Districts pay for the second appraisal and if that appraisal were to come in at a lower amount-that is what the district would receive.

Pat Conley said that if a district asked for a re-appraisal to increase their donation factor, why would the SFB not take the appraisal fee out of their new donation factor.

David Ortega suggested using review appraisals, which are typically less than full appraisals.

Patricia Gober asked if the delays were caused by environmental issues outside the control of the district, which Director Bell said they were.

Frank Davidson said he was in favor of awarding districts the opportunity for a second appraisal in the event there are certain reasons for a delay. Patricia Gober added that a re-appraisal should not take place because of a district delay. Mr. Davidson agreed and added that at August's meeting there were two districts that had a huge difference in their per acre value. He suggested that the appraisal may not have taken the most current values into account.

Cynthia Chovich asked what would cause a possible delay. Kristen Landry explained that the appraisal and environmental are ordered at the same time. If there are environmental issues that need to be remediated, as with the case of archaeological issues, the timing between the appraisal and acceptance could be several months.

Kate McGee asked who orders the appraisal and if the appraisers are certified. Kristen Landry explained that staff orders the appraisal and chooses the appraisers off state contract. She added that everyone on that list is a certified appraiser.

Kate McGee suggested districts that request a parcel knowing environmental conditions exist share part of the cost to remedy those issues.

Frank Davidson stated that using the most current appraised value may also keep developers motivated to donate land. He asked if there is a mechanism for developers to submit a different appraisal from what staff orders. John Arnold stated that he did not believe developers are bound by the SFB's appraisal. Kristen Landry added that developers rarely request the appraisal done by the SFB and typically have their own done.

Kate McGee, using Isaac ESD as an example, asked how staff determines that an appraisal is accurate. Kristen Landry explained that in the case of purchases two appraisals are ordered for that reason. Should there be a large discrepancy between the two, a review appraisal would be ordered.

Patricia Gober asked if staff compares the developer's appraisal to staff's appraisal. Kristen Landry said that staff rarely sees the developers appraisal. She added that staff's appraiser always interviews the developer as well as the district to discuss the property.

Brooks Keenan suggested that perhaps the appraisal should be required to meet the IRS standards. Patricia Gober said she would be interested in reviewing developer's appraisals.

V. Other Land Issues

a. Summary of SFB Land Acquired to Date

Brooks Keenan asked how much review is given to off site issues prior to acceptance of land. Director Bell explained that the appraiser looks at infrastructure as part of the appraisal.

Jim Migliorino of the Deer Valley Unified District addressed the Board. He said that market forces are impacting the lack of full donations. He believes that 30% is not enough of an incentive to developers as land has greatly increased. He added that increasing construction costs contribute to voluntary assistance fees from developers, which DVUSD does not use. Mr. Migliorino said State Land requires the school site as a condition of the sale of land which is added to the inventory. He added that districts have no control of when an auction is held. He stated that Federal Tax laws require an appraisal to be no older that 6 months and it must be ordered and paid for by the district and not the developer to qualify for a tax credit.

Scott Thompson of the Dysart Unified School District addressed the Board. He believes districts would benefit from a workshop. He stated that the district does not have any authority to obtain sites as it is driven by the cities and towns. He added that his district has lost a number of sites to Luke Air Force Base and in the past the city council did not see the need for school sites, allowing large developments to occur without a site. He said the district has been advised by their attorney that the SFB must approve the site for a developer to receive a tax credit. Addressing the issue of long-range planning, he stated his district struggles with the lack of infrastructure and trying to determine where and when a development is going to occur. He added that Dysart receives voluntary

assistance fees which have been instrumental in achieving donations. He added that even with that incentive the district is seeing more partial donations.

VI. Approval of Strategic Plan

Pat Conley said that she is concerned that the plan states there is no state oversight on how the dollars are spent for Building Renewal. She said the statute requires the Board to review the expenditures and report to ADE if those funds have been used improperly. She added that Preventive Maintenance money is to be used in the performance of tasks as described by the SFB which is the PM plan. She suggested amending the Strategic Plan to read " there is no oversight when dollars are actually expended...". All Board members were in favor of the change.

Frank Davidson asked what was being proposed for the Full Day Kindergarten section. John Arnold said that it has to do with visible space added through Full Day Kindergarten funds. This is not addressed in this plan.

David Ortega moved that the Board approve the Strategic Plan as amended. Pat Conley seconded. Motion passed on a 7-0 voice vote.

VII. Future Agenda Items

Patricia Gober said she would like to hear from hypergrowth districts on how they secure land donations. She suggested bringing five districts together to examine donations and land policies.

David Ortega said he would like to have a discussion on boundary changes and donations between districts.

VIII. Public Comment

None

Adjournment

There being no further business, Kate McGee, adjourned the meeting at approximately 11:50 A.M.

Approved by the School Facilities Board on _____, 2005

Kate McGee, Chair