

Interim Projects

MUSC

Thurmond Building Water Damage Recovery \$ 600,000 -establish project

Source of Funds \$ 600,000 -insurance reserve

Discussion

In August 2002, an emergency flooding situation occurred in the Thurmond/Gazes Research Building. A cast iron plug at the end of a copper valve on an industrial cold water line failed and the resulting flooding caused substantial water damage to areas located on the first, second, and third floors of the building. Walls, ceiling tiles, carpet, floor tile, vinyl cove base and occupant materials and equipment were damaged, and all five elevators sustained damage. The drop in water pressure after the cold water line failed caused excessive suction in the reverse osmosis system fiberglass tank which then ruptured and caused a second flood in the mechanical penthouse. In September, an electrical panel exploded as a result of the water damage. Two of the five elevators were repaired the night of the flood with the remaining elevators repaired the following week. The day after the flood, large desiccant air units were brought in to assist in "drying" the first three floors. All like valves in the building were inspected and all of the cast iron plugs were replaced with brass plugs and the fiberglass tank has been replaced. This project is being established to document the emergency response in accordance with state guidelines. The source of funds for the project is insurance reserves.

Recommendation

Staff recommends approval of this project.

MUSC

Refinancing of Harborview Office Tower Lease Agmt. \$ 0

This project does not involve a commitment of new funds. It is a refinancing of a higher cost debt at a lower rate that will translate into lower lease payments for MUSC. Cash flow savings are projected to be \$2.5 million or approximately \$250,000 per year after expenses.

Discussion

MUSC holds title to the Harborview Officer Tower, parking garage, and land located along Hagood Avenue. Certificates of Participation (COPS) were issued by MUSC Facilities Corporation (MUFC), a 501(c) 3 corporation formed solely to issue the debt to purchase the facilities. MUSC leases the property to MUFC under a base lease for \$1 per year and MUFC leases it back to MUSC under a project lease for the amount of the debt service on the COPS.

The COPS have a principle balance outstanding of \$14.3 million at an average rate of 7.45 percent, and mature in 2013. The annual debt service is approximately 1.82 million with a final payment of \$3.4 million due in 2013. The lease payment from MUSC reflects the required debt service.

MUSC proposes to refinance the COPS with variable rate bonds with no increase in either the amount or term. The bonds will be issued through the SC Jobs Economic Development Authority (JEDA) and will be tax-exempt, adjustable rate revenue bonds in the amount of \$13,655,000 with a final maturity in 2013. Costs of issuance, including attorney's fees,

underwriters discount, 2 percent prepayment fee, etc. and the May 1 payment have been considered in calculating the required amount. At the time of issuance, a permanent interest rate swap will be executed to lock in an interest rate. The projected rate at this time is 3.3 percent.

Wachovia Bank was selected from the banks that provided proposals. A letter of Credit from Wachovia will be used to assist in obtaining a favorable rate. The annual debt service is projected to be approximately \$1,450,000 with the final year pay off of \$3.2 million. Cash flow savings are projected to be \$2.5 million or approximately \$250,000 per year after expenses.

Recommendation

In order to meet deadlines for locking in the interest rate, staff has approved this project for submission to the Budget and Control Board. The staff recommends the Committee ratify staff action in order for the approval to be in accordance with Commission guidelines.

MUSC

Redevelopment of the Old Charleston High School/Lease Est. \$2,500,000 annually

The old Charleston High School is an unoccupied, dilapidated building located on the MUSC campus. MUSC is requesting CHE to approve the concept of rehabilitating the former high school, adding approximately 40,000 square feet of office and classroom space to the existing 40,000 square foot building, and adding additional university parking facilities. The facility, when renovated, would be used for a consolidated home for the College of Health Professions (CHP).

MUSC has requested funding for a new facility for the College of Health Professions (CHP) for the past three years. This College is currently housed in seven different locations across the campus and the dispersion and lack of space limits MUSC's ability to train the students effectively. MUSC's request for a facility for the CHP has received a score of 100 out of a possible 110 in the rating process. The reality of the budget situation and the lack of funding have motivated MUSC to examine alternative measures to provide the CHP with a consolidated location in a timelier manner.

Funding for the project would be through a long-term lease arrangement with a tax-exempt finance corporation sponsored by the MUSC Health Sciences Foundation (HSF) which will actually finance and construct the facilities. The HSF holds the title to the old high school property, approximately 1.8 acres. The HSF has agreed to set up a tax-exempt corporation solely for the purpose of developing and financing the project. The HSF will ground lease the property to the finance corporation. The finance corporation will issue bonds to construct the project. Repayment of the bonds issued by the finance corporation will come from a long-term lease from the University that will cover the expenses of the project. The source of funds MUSC will use for the lease payments will be parking revenues and student tuition fees, with the foundation responsible for building and leasing-out the retail space. After retirement of the debt, the HSF will donate the property to the University.

The total project budget will not exceed \$35 million. Final numbers will not be known until a final development agreement is signed with the developer and the bonds are issued by the finance corporation. The finance corporation plans to issue the bonds through South Carolina Jobs-Economic Development Authority (JEDA). The financial plan indicates total annual lease payments will be less than \$2.5 million for twenty years.

MUSC requests approval of this concept, contingent upon action by both the MJSC Board of Trustees (meeting later in May) and the Budget and Control Boards approval of the lease terms.

Recommendation

Staff recommends approval of MUSC's lease of the old Charleston High School property pending approval from its Board, provided the final lease agreement closely approximates the above description of the lease, and provided the Budget and Control Board finds the rates and terms of the lease acceptable.

Addition to the Agenda – Routine Repair/Replacement:

USC-Columbia

Coker Life Sciences HVAC Replacement \$950,000 – establish

Source of Funds \$950,000 – State appropriated

Discussion

The HVAC system in Coker is over 29 years old and the performance of the main air handler has deteriorated to about 67 percent of its original design and it can no longer adequately air condition the facility. The project includes replacement of the main air handler unit with redesigned outside air intake, retrofit of the existing pneumatic temperature controls with direct digital controls, new hot water and chilled water pumps, balancing the HVAC system air flow and design and engineering fees. When additional funds are available, phase II is proposed to address the pressurization control in the labs and replace the lab hood exhaust system.

USC has been attempting to get this problem corrected for some time but, due to the cost of the project, a funding source was not identified until last week. This was past the deadline for submitting projects to CHE. However, the need for the project is critical and USC will have to move quickly to complete this phase before the weather gets hot and the system fails completely.

Recommendation

Staff recommends approval of this project as proposed.