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Superintendent



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New Haven Public Schools

July 10, 2013

President Jorge Perez
New Haven Board of Aldermen
165 Church Street
New Haven, Connecticut 06510

Re: Approval to Acquire Property for the new Engineering and Science
University Magnet School (ESUMS) Construction Project
Project History and Follow-up from the June 25 Leadership Meeting

Dear President Perez:

This is a request by the Board of Education to purchase land for the new Engineering and Science University Magnet School (ESUMS) in West Haven.

Background:

The 2007 Citywide School Construction Program Comprehensive Facilities Plan Update included a new specialized grade 6 through 12 STEM (Science, Technology, Engineering and Math) magnet school. The plan called for the school to be partnered with the University of New Haven Engineering School and located adjacent to the UNH campus in West Haven for cross programming purposes. A year later, in 2008, ESUMS began phasing in grades and students one grade per year, starting with the 6th grade. As of the 2014 - 2015 school year ESUMS will be fully enrolled with all seven grades of 616 students.

ESUMS is a public / private partnership that provides a set of benefits and opportunities that are unique and unprecedented in the New Haven School District. The student enrollment will be 65% New Haven, 20 % West Haven and 15% from other area communities. Among the opportunities: high school students will be able to take advanced courses at the UNH Engineering School and receive college credits while still attending ESUMS; also, the two schools will share resources, as well as programming, in a nationally recognized project based curriculum called Project Lead The Way. Among the benefits: ESUMS students will be exposed to a college campus while still in high school in preparation for furthering their education and significantly, students with a good scholastic record will receive a scholarship to UNH on a sliding scale up to 100% of their tuition. The graduates of this school and this partnership will provide the New Haven area with a highly trained workforce in the areas of STEM that will benefit the regional economy.

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In the spring of 2007, the Board of Education prepared a school construction project application to the State and received approval from the Board of Aldermen to apply for the project. Local funding was approved at \$59.5 million. The application was then made to the State Department of Education for project approval and State funding for a new school, site to be determined. After State approval of the \$59.5 million in 2008, New Haven BOA increased the local funding level to \$65.5 million; the State funding level remains at \$59.5 million.

The original BOA approval contained funding in the budget for land acquisition, but without a defined site the exact amount was only estimated. Additionally, without a defined site, BOA could not approve the specific purchase of land at that time.

The school community has identified the best site for the school as being the northwest corner of the UNH campus. This site is immediately adjacent and connects directly to UNH. The location allows students to walk between the ESUMS building and the UNH Engineering School.

Request to Purchase Land:

In February of 2013, the Citywide School Building Committee and the BOE approved the school site. This request by the Board of Education is only seeking the permission of the Board of Aldermen to purchase the parcels comprising the ESUMS site. The purchase price will be determined by the higher of two independent appraisals and/or a court judgment (in the case of the four eminent domain parcels).

If at any time in the future, local or State approvals are not received, then any parcels purchased would revert back to the ownership of UNH, with UNH returning any amounts paid by New Haven.

Report on the Project Budget:

Due to the lengthy delay in identifying the site, getting requisite approvals and moving the unique project forward, many of the original projected costs have risen. The primary cause of the delay was convincing the City of West Haven to utilize eminent domain on behalf of New Haven. This was finally approved by West Haven and achieved in December 2012. The major driver for the cost increase is escalation due to time and the increase in project scope as the project became better defined by the Project Lead the Way program and with UNH. The chart below lists the individual cost increases as well as those items that are currently considered ineligible for reimbursement. Note that off-site improvement costs are normally ineligible, but have been made eligible for this project via a legislative notwithstanding in June 2013. Other ineligible costs on this chart are potential candidates for similar treatment, such as Leeder Hill swing space costs and local bonding costs (short term interest costs on school construction funding) and could also be made eligible via future notwithstandings. Still other costs are being actively pursued for reduction, such as the bldg. permit fee is being negotiated to a lower rate and ineligible construction will be significantly reduced via leases with UNH.

This magnet school project, having been approved by the State in 2008, is at a 95% reimbursement rate. (For reference, the current reimbursement rate for magnet schools is 80%; the current non-magnet school rate is 69%.) Therefore, the City share for ESUMS is 5%, while the State share is 95%. Project costs that are not eligible for reimbursement from the State become additional City share. Referring to the bottom of the chart below, when ineligibles are factored in, the total City share would be 19%.

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This is much lower than a typical project approved by the State today, which could have a City share ranging from 20% to 45%.

The projected adjusted budget is currently estimated to be \$85.5 million. The current estimated ineligible costs are \$12,500,000; however, we are actively pursuing reductions to this. Therefore, the current breakdown of costs is \$69,350,000 State (81%) and \$16,150,000 City (19%).

Chart of ESUMS Project Budget Increases and Ineligibles

Current State Budget:	\$59,500,000		
		Ineligibles	
Redesign	\$700,000	\$700,000	Rework is not likely to be eligible.
Property purchase	\$1,800,000		
Program management	\$2,000,000		
Leeder Hill swing space costs	\$3,100,000	\$3,100,000	This can be subject to a future notwithstanding.
Legal & Other professional fees	\$1,300,000		
Construction trade costs	\$4,400,000		
Off-site improvements	\$2,500,000		This was made eligible by a 2013 notwithstanding.
West Haven Bldg permit fee	\$1,000,000	\$1,000,000	To be reduced by mutual agreement.
Ineligible construction	\$2,700,000	\$2,700,000	Working on reducing via leases with UNH to show control of land we don't own.
FF&E	\$1,500,000		
FCAF Bond	\$3,800,000	\$3,800,000	This can be subject to a future notwithstanding / CREC set precedent in 2013.
Contingency	\$1,200,000	\$1,200,000	This is misleading because if it's spent on the project it becomes eligible.
Requested Adjustment	\$26,000,000	\$12,500,000	Total ineligibles
Total Proposed Budget	\$85,500,000	\$73,000,000	Net project cost to be shared with State

\$3,650,000 **City share of net (5%)**

\$69,350,000 **State share of net (95%)**

\$16,150,000	Total City share including ineligibles = 19%
\$69,350,000	Total State share = 81%
\$85,500,000	Total Cost

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Timeline:

The project needs to own the land upon which it is proposed before the State can approve the plans to build the school. Therefore, the City needs to purchase the land in order for the project to proceed any further.

The timeline and process for requesting State approval of the adjusted budget is: 1) request BOA approval in September 2013, 2) request BOE and CSBC approval concurrently, 3) file an EDO49R by October 31, 2013 with the State, 4) when accepted by the State the budget adjustment would be in the July 1, 2014 State budget. Since the construction schedule calls for a completion in 2015 the project must begin work in late 2013. Consequently the above timelines for both land purchase and budget adjustment are very important.

The State has issued a deadline to start construction on ESUMS by June 30, 2014. This constitutes the second extension this project has received with the caveat that there will be no further extensions. If the deadline is missed the project will have to seek re-authorization from the Legislature which will reduce the reimbursement rate to the current 80% for magnet schools. This would very significantly increase the City share of the project costs by more than \$12 million.

Thank you for your consideration of this request to purchase the properties. Please do not hesitate to contact me should you have any questions.

Sincerely yours,



Dr. Reginald Mayo
Superintendent

cc: Board of Aldermen Leadership
Mayor John DeStefano, Jr.
Will Clark
Timothy Yolen