



Capital Development Committee

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL YEAR 2024-25 SUPPLEMENTAL CAPITAL CONSTRUCTION REQUEST

Department of Local Affairs
Decentralize Fort Lyon Building Heating

2025-011
Regular Supplemental

Motion

Recommend the supplemental request from the Department of Local Affairs for the Decentralize Fort Lyon Building Heating project (\$34,930,029 CF).

Supplemental Criterion

The supplemental request is an emergency request. The department says that the steam heating system at the Fort Lyon Supportive Residential campus is at risk of failure and requires a complete overhaul.

Approval by OSPB

The project has been approved by the Office of State Planning and Budgeting.

Prior Appropriation and Request Information

There is no prior appropriation attached to this request.

Table 1
Prior Appropriation and Request Information

Fund Source	Prior Appropriations	Supplemental Request	Future Requests	Total Cost
CCF	\$0	\$0	\$796,840	\$796,840
CF	\$0	\$34,930,029	\$0	\$34,930,029
Total	\$0	\$34,930,029	\$796,840	\$35,726,869

Reason for Supplemental Request

The Department of Local Affairs (DOLA) previously requested this project as a capital renewal request during the FY 2024-25 budget cycle, but it was not approved for funding by either the Capital Development Committee (CDC) or the Joint Budget Committee (JBC). This year the department is instead requesting funding as an emergency need through the supplemental process. The department also has a FY 2025-26 level one controlled maintenance request for \$796,840 for the design phase of this project (reflected in the "future requests" column of Table 1).

Summary of Project

The project renovates the Fort Lyon campus' existing centralized electric boiler system, which the department says has significant life and safety risks and is in danger of failure. The Fort Lyon campus houses around 200 residents, the majority of whom have complex medical needs and are especially vulnerable to failures of the heating system.

The department proposes three options to overhaul the campus heating system. Each option also includes an additional \$5-10 million option to include solar panels,. The options are:

1. decentralizing the existing electric boilers and installing separate electric boilers in each building to provide heating only (\$15.0 million, or \$20.0 million with solar panels);
2. decentralizing the existing system and installing variable refrigerant flow/ variable refrigerant volume (VRF/VRV) systems in each building to provide both heating and cooling (\$20.0 million, or \$30.1 million with solar panels); or
3. installing centralized geothermal heating (\$42.8 million, or \$48.2 million with solar panels).

While the high end of these proposed options is \$48.2 million, the Office of State Planning and Budgeting (OSPB) has recommended a maximum spending authority of \$34.9 million, reflected in Table 1 above. If less funding is required, unspent cash funds remain in their fund.

DOLA and the Office of the State Architect recommend option two, the VRF/VRV system, as it provides both heating and cooling and is the most cost effective while also considering energy efficiency, operating costs, and reliability.

Funding

OSPB proposes funding this project by having DOLA borrow unobligated Office of Economic Development & International Trade (OEDIT) State Affordable Housing Fund (SAHF) Proposition 123 funds and having DOLA repay OEDIT over an unspecified time period and from an unspecified source. This may require additional legislation.

Questions/Outstanding Issues

CDC staff have reached out to DOLA for more information and have not received this information at the time of mailing. Outstanding questions include:

1. It is unusual for a funding request to include a range of options. What is the risk to the Fort Lyon programs if funding were delayed until a project scope is determined?
2. Has OEDIT verified that its obligated Proposition 123 funds are available for this proposal? Are there are TABOR implications for using OEDIT's funds for DOLA's programs? Does DOLA need additional statutory authority to use those funds?
3. How will DOLA repay those funds? What is the fund source and the repayment schedule?
4. As presented, DOLA is requesting cash funds spending authority for with the supplemental package, and state funds for design work in the Long Bill via controlled maintenance. Should the existing controlled maintenance request be combined with this request?