

KENTUCKY DEPARTMENT OF EDUCATION

STAFF NOTE

Action/Consent Item:

Acquisition and Site Development Costs Request from the Martin County School District

Commissioner's Recommendation:

It is recommended that the Kentucky Board of Education approve the request for the acquisition and site development costs to exceed ten percent (10%) of the project in order to permit the Martin County School District to acquire the property needed for the construction of a new high school.

Rationale:

Due to the mountainous geography, suitable sites for school construction are difficult to find in eastern Kentucky. The actual cost to acquire this site is low at \$23,000. However, site preparation and utility service will cause costs to exceed ten percent (10%) of the project budget. The site meets many of the regulatory requirements. It contains approximately fifty-six (56) acres which exceeds the seventeen (17) acre minimum requirement for a high school serving 700 students. It is above the 100-year floodplain. The fiscal court has committed to funding the road connection to KY 645. The majority of the site is level, because it is predominantly fill. The fill was placed in a manner intended to support future development. The Martin County Fiscal Court and Big Sandy Area Development District are pursuing funding for the construction of water and wastewater infrastructure for which the district will contribute a proportionate share. The approval of the waiver will allow the project to move forward and the district to proceed with the preparation of construction documents.

Action Question:

Should the Kentucky Board of Education (KBE) approve the site acquisition and site development costs for the Holly Bush/Asher Maynard properties (KY 645) which exceed ten percent (10%) of the project budget?

Applicable Statute or Regulation:

KRS 162.010 and 702 KAR 4:050

History/Background:

Existing Policy: Sites for which the acquisition and site development costs exceed ten percent (10%) of the maximum project require approval by the Kentucky Board of Education pursuant to 702 KAR 4:050, Section 5(1).

Summary: Suitable sites for school construction are difficult to find in eastern Kentucky due to

the mountainous geography. The proposed site includes approximately 56 acres of the larger Holly Bush tract which was transferred to the Martin County Fiscal Court by the Kentucky Transportation Cabinet (KYTC) and the smaller Asher Maynard tract which was purchased by the fiscal court for transfer to the school district. The Holly Bush tract is a fill area used by the Transportation Cabinet for the construction of KY 645 and is relatively flat. The Asher Maynard tract is a ridge projecting into the Holly Bush tract. This tract will provide fill material needed for the building pad and surrounding construction. Both properties are above the 100-year flood plain.

The fiscal court is seeking reimbursement for the purchase of the Maynard property and for costs of a geotechnical investigation for a relatively minor acquisition cost of approximately \$23,000. The project budget, acquisition cost, and the site development costs are as follows:

Current Project Budget	\$31,650,000
Ten percent (10%) of Project Budget	\$3,165,000
Acquisition	\$23,000
Current Estimated Site Development Costs	
Rock Removal and Placement	\$2,900,000
Site Utilities	
Water (incl. fire suppression) and Sanitary Sewer	<u>\$1,300,000</u>
Total for Acquisition and Site Development	\$4,223,000 = 13.3%

Costs for utility infrastructure to serve the proposed school are included above. If constructed in this project, these utilities can only be used by the school district. However, the fiscal court anticipates receiving a grant of \$500,000 for the construction of a sewer to serve the entire Holly Bush site. The Martin County Economic Development Authority, which will control the non-school remainder of the Holly Bush site, is pursuing funding for water service. The district can participate on a pro-rata basis in the construction of shared utilities. Should either of these efforts be successful, the costs to the district may be reduced.

There are some minor unresolved title issues with the property arising out of KYTC's acquisition of the Holly Bush tract. Upon acquisition, the district will resolve any outstanding title issues. The approval of the acquisition and site development costs to exceed ten percent (10%) of the project budget will allow the district to proceed with the preparation of construction documents. We will keep KBE informed regarding the district's progress in securing title.

The Martin County Board of Education requested another waiver for this project at the October 6, 2015 KBE meeting. The request sought a waiver related to the acquisition of the site's mineral rights. The mineral rights above 150 feet were owned by the KYTC, and the mineral rights below 150 feet were held by a multitude of unknown and undiscoverable owners. The waiver was granted because Kentucky law effectively prohibits mining near or under a school.

Budget Impact: There is no budget impact at the state level.

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A handwritten signature in blue ink that reads "Stephen L. Pruitt". The signature is written in a cursive style with a large, stylized 'S' and 'P'.

Commissioner of Education

Date:

April 2016