



Item: II.a.

Wednesday, October 25, 2017

SUBJECT: HOUSING P3 INITIATIVE

PROPOSED BOARD ACTION

No Board action is required at this time; informational only.

BACKGROUND INFORMATION

Student housing is a critical component to the student's campus experience and to the University's enrollment management objectives. The University desires to grow its residential offerings on both the Boca and Jupiter campuses in support of this vision.

A market analysis indicates that housing demand will exceed current inventory should enrollment projections be achieved for both the Boca and Jupiter campuses. The University's focus on enrollment management initiatives in recent years has strengthened the stability of the undergraduate population and enhanced market demand for on-campus housing. The University is committed to continuing its pursuit of the established recruitment, retention, progression, and graduation objectives. On the Boca campus, replacing targeted existing housing assets with new facilities expedites the need for new housing in the near future. Current Boca assets that are to be considered for demolition and replacement are Algonquin and University Village Apartments. On the Jupiter Campus, Honors College enrollment growth relies on the University's ability to provide on-campus housing opportunities due to limited rental options surrounding this campus. The first phase of the recommended project concept includes:

- Jupiter Campus: New 150-bed residential facility to open by Fall 2020;
- Boca Campus: Demolition of Algonquin Residence Hall prior to Fall 2019; and
- Boca Campus: New 500-bed residential facility on the Algonquin site to open by Fall 2021.

On higher education campuses across the country, there are a range of capital project delivery models that exist (i.e., self-finance, affiliated DSO/foundation, public-private partnerships). Determining which model to use depends on market conditions and the institution's desired level of risk. Through several discussions about the project delivery strategy at the University, it was determined that the model for our purposes must primarily minimize any impact to the University's credit rating or ability to access debt for future projects. As such, the preference is to pursue a partnership with a National Non-Profit 501c3 owner. The primary reasons for selecting this type of partnership are as follows:

- Achieves risk transfer objectives related to debt and credit impact;
- Allows the University to receive net cash flow generated by the project; and
- Allows the University to engage a committed long-term partner.

Through this structure, there is also an opportunity to bundle the existing Jupiter housing assets into the partnership by defeasing the existing debt, and refinancing the outstanding principal with the new project. This benefit of the bundling approach ultimately reduces enrollment and occupancy risk for the partner and enhances the attractiveness of the project opportunity. Another key component of the partnership opportunity is the management agreement. FAU's existing management agreement terminates in July 2021. FAU is able to include, as part of the solicitation package, an opportunity for the partner to perform management services for both the Boca and Jupiter campuses. When combined, the total development and management opportunity elevates the profile of the solicitation in the marketplace.

The University intends to issue a competitive solicitation for the proposed project with a National Non-Profit 501c3. The solicitation would comport with the Board of Governors' Public-Private Partnership Guidelines.

IMPLEMENTATION PLAN/DATE

Upon selection of a proposed P3 partner in 2018, the proposed P3 agreement would be presented to this Board for approval, and then submitted to the Board of Governors for approval.

FISCAL IMPLICATIONS

TBD

Supporting Documentation: PowerPoint presentation

Presented by: Dr. Corey King
Eric Bram, Brailsford & Dunlavey

Phone: 561-297-3988



Florida Atlantic University

Student Housing Implementation Plan

FAU Board of Trustees Meeting | October 2017



Meeting Objectives

October 25, 2017

1 Provide general overview on housing assessment schedule, process, and outcomes

2 Introduce the implementation process and establish how BoT will be engaged

3 Address BoT questions and seek support to issue partnership solicitation

Introductions

Brailsford & Dunlavey



24
Years In
the Industry

1,200+
Higher Education
Assignments

56
P3 Development
Advisory Projects

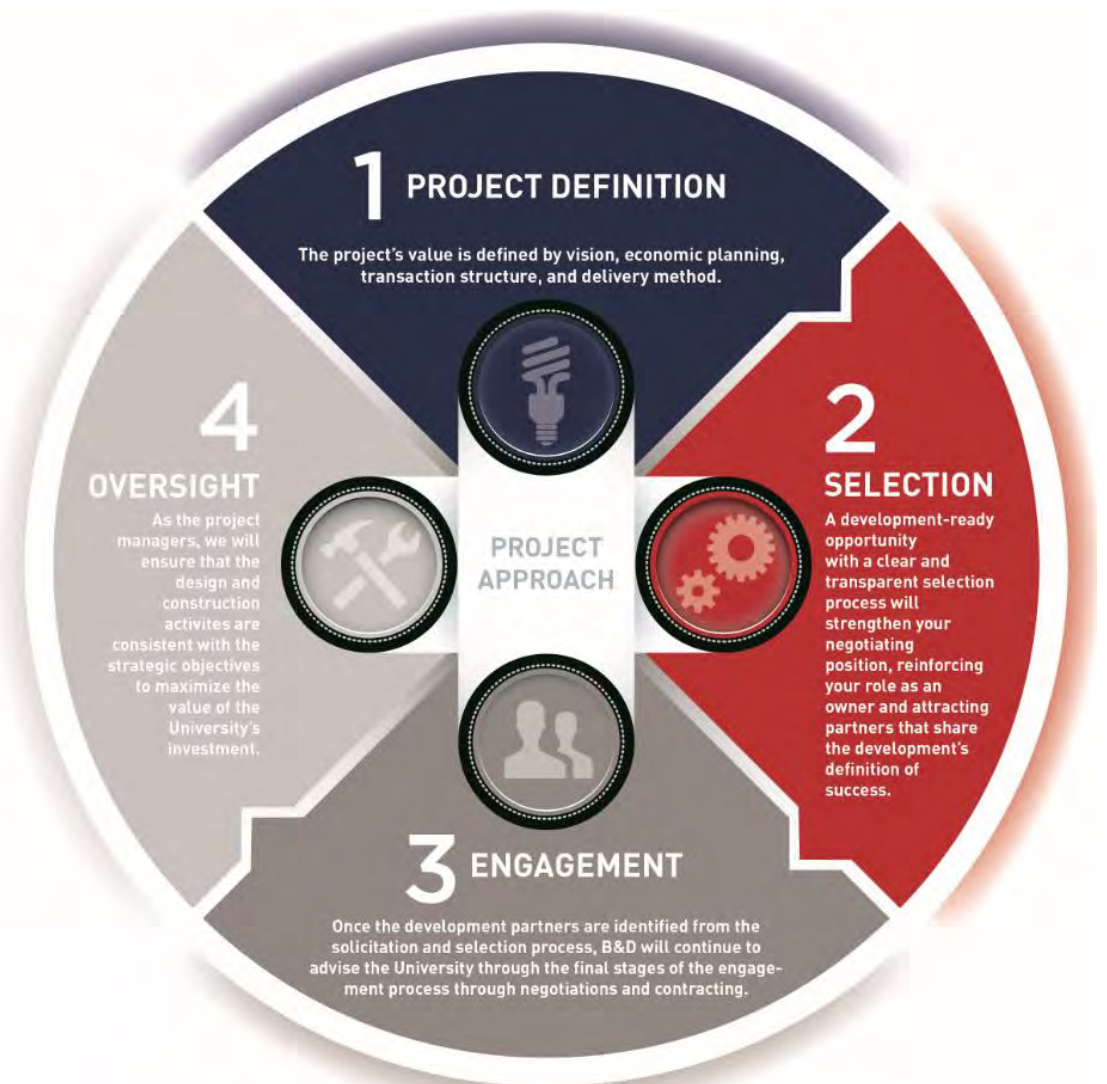
\$3.5B+
In P3 higher-ed
advisory projects



Planning Process Overview

B&D Project Approach Methodology

B&D's process aims to maximize institutional control and decision-making power from start to finish



Planning Process Overview

Process and Schedule

Key Planning Questions

- ◆ What are FAU's strategic housing objectives?
- ◆ How much housing demand exists on both the Boca and Jupiter campuses?
- ◆ How does FAU's changing enrollment profile impact demand?
- ◆ If excess demand exists, how and when should FAU pursue additional housing?

Project Definition Schedule

February 2017

*Project Kick-Off
Market Analysis*

April 2017

*Market Findings Presentation to ELT
Value for Money ("VFM") Analysis*

July / August 2017

*Project Definition Presentation to Dr. Kelly
Board of Trustees Preparation / Next Steps*

Targeted Strategic Outcomes

Mission and Vision

FAU Strategic Plan (2015 – 2025)

- ◆ Deploy a comprehensive enrollment management strategy
- ◆ Recruit + retain highest quality students
- ◆ Develop academic support structure for retention and graduation

Campus MP – Housing Element (2009)

- ◆ Maintain and enhance the quality of FAU housing
- ◆ Increase utilization of FAU housing
- ◆ Ensure adequate housing and support facilities to meet future needs



Student Affairs Mission and Vision

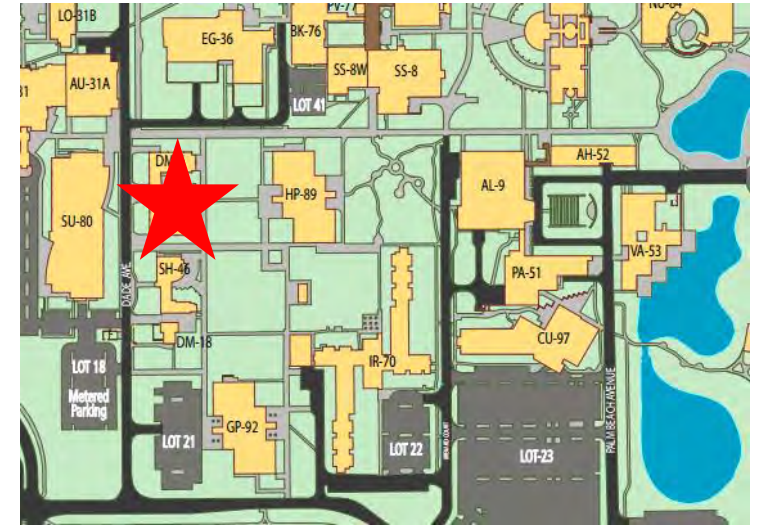
- ◆ “We equip students with necessary tools to achieve academic, personal, and career success”

Student Affairs Mission and Vision

- ◆ Housing is critical in supporting FTIC recruitment and matriculation
- ◆ Housing will align with students’ development continuum
- ◆ Housing will support QoL integration

Project Concept - Boca Campus

- ◆ Phase I Concept. ~500 beds targeting upper division students
 - ◆ Project will include demolition of Algonquin and the student housing offices
 - ◆ Objective: Provide new, affordable housing in the campus core
 - ◆ Phase II Concept. Up to 1,000 beds targeting upper division and graduate students
 - ◆ Project will include demolition of UVA
 - ◆ Objective: Support upper division and graduate housing demand near campus core
- *FAU to ensure that future phases on UVA site align with impending Campus Master Plan Update*



Project Concept – Jupiter Campus

- ◆ Phase I Concept. ~150 beds targeting upper division students
 - ◆ Project will be ‘apartment-style’ beds that enhances independent living
 - ◆ Objective: Support housing needs as enrollment growth occurs

- ◆ Phase II Concept. ~150 beds targeting upper division students
 - ◆ Project will be ‘apartment-style’ beds that enhances independent living
 - ◆ Objective: Respond to continued Honors College enrollment growth



Project Concept - Summary

	2017 – 2018	2018 – 2019	2019 – 2020	2020 – 2021	2021 – 2022	2022 – 2023	2023 – 2024	2024 – 2025
<i>Non-Physical Partnership Components</i>								
Operating Agreement - All FAU Housing Assets					Opening/Execution	Complete	Complete	Complete
Jupiter - Defeasance of Existing Housing Bank Loan					Opening/Execution	Complete	Complete	Complete
<i>Projects / Initiatives</i>								
Boca Phase I - Demolish Algonquin		Planning	Opening/Execution	Complete	Complete	Complete	Complete	Complete
Jupiter Phase I - 150-Bed, Apartment-Style Housing Project		Planning	Construction	Opening/Execution	Complete	Complete	Complete	Complete
Boca Phase I - 500-Bed, Full Suite-Style Housing Project on Algonquin Site			Planning	Construction	Opening/Execution	Complete	Complete	Complete
Boca Phase II - Partial Demolition of University Village Apartments (As Needed for Project Footprint)					Planning	Opening/Execution	Complete	Complete
Jupiter Phase II - 150-Bed, Apartment-Style Housing Project					Planning	Construction	Opening/Execution	Complete
Boca Phase II - Up to 1,000-Bed, Apartment-Style Housing Project on UVA Site and Remaining UVA Demolition						Planning	Construction	Opening/Execution

**FAU's existing 3rd-party management agreement expires prior to Fall 2021*

Planning
 Construction
 Opening/Execution
 Complete

Project Delivery – FAU Risk Transfer Profile

Value for Money Analysis Overview

◆ Design and Construction

- ◆ Desire to control some aspects of design and building program.
- ◆ Delivery risk (including timeline) should be shifted to partner

◆ Financial

- ◆ Strong desire to minimize impact to FAU's balance sheet and credit rating

◆ Operations + Maintenance

- ◆ Retain control of academic and res life programming
- ◆ Facility and custodial responsibilities should be assumed by partner (assuming ability to negotiate the “right” deal for FAU)

◆ External Events

- ◆ Partner will accept Force Majeure risk prior to construction

National 501c3 Partnership

Targeted P3 Structure

Recommended Ownership Structure to Pursue – National 501c3

- ◆ Limited expected impact to FAU's credit rating
- ◆ Cash flow returns to the University
- ◆ Ability to transfer risk - financing, delivery, and operating risk
- ◆ Maintain control over program, design, budget, and construction decisions
- ◆ Free up FAU Foundation debt capacity
- ◆ Engage with a long-term partner who is invested in the health and marketability of the assets
- ◆ Opportunity to bundle the project opportunity into one financing

Future Housing System

In pursuing a National 501c3 partnership for the projects, FAU will continue to:

- ◆ Be responsible for meeting existing debt service obligations on the Boca Campus
- ◆ Support all Boca and Jupiter housing with administrative support services (assignments, billings, marketing, programming)
- ◆ Engage with a partner to provide facility-related services for all Boca and Jupiter housing
- ◆ Allocate excess cash flow to support future housing reinvestment and capital projects

Terms of Engagement

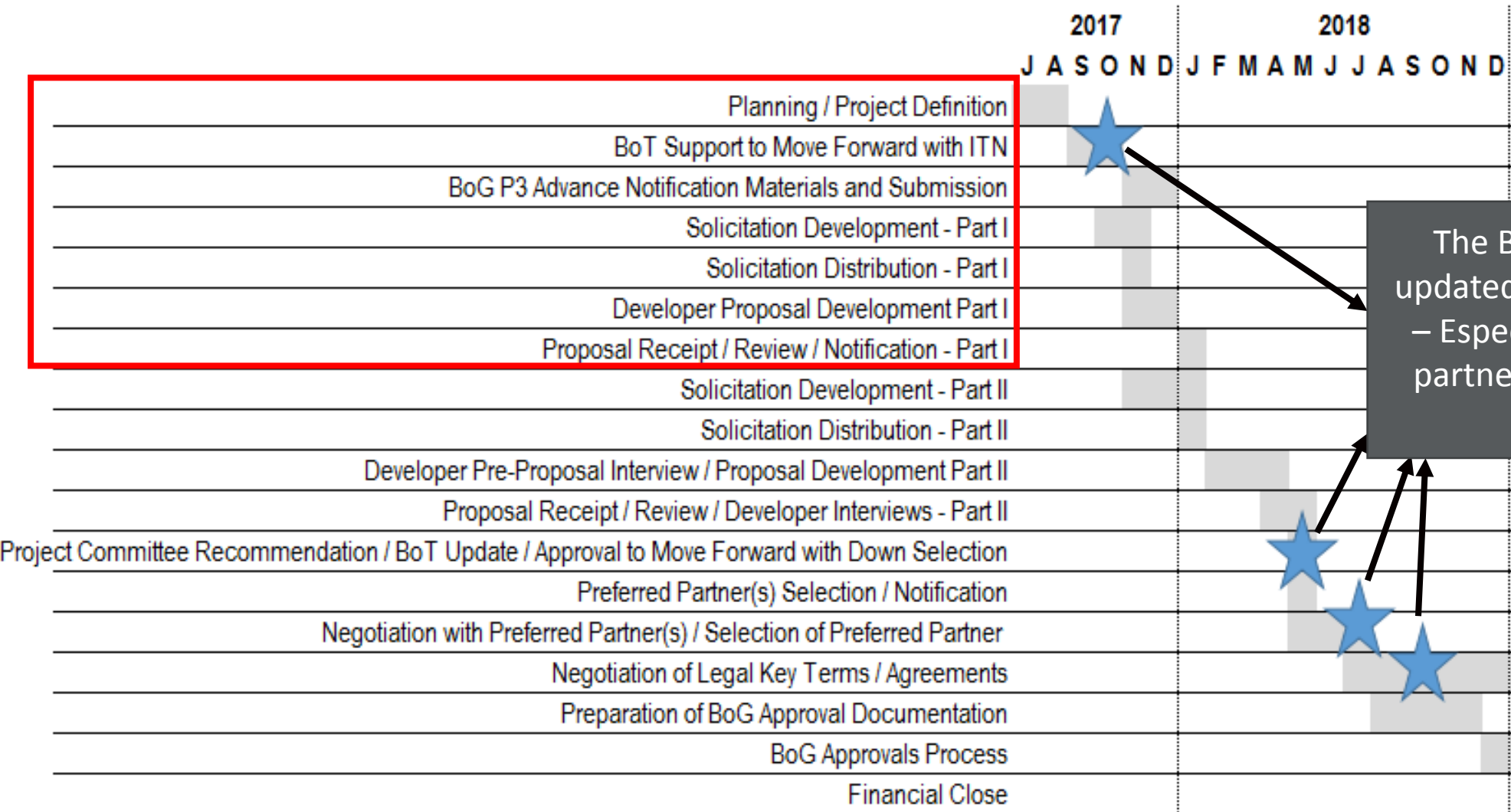
National 501c3 Partnership

Through this project definition process, FAU is now empowered to dictate the proposal terms

- ◆ Development opportunity for Jupiter and Boca
- ◆ Facility management opportunity for Jupiter and Boca
- ◆ Targeted delivery timeline
- ◆ Partnership / risk transfer objectives and FAU's vision
- ◆ Design and construction guidelines
- ◆ Ground lease duration

Upcoming Schedule

Schedule / Process



The BoT will continue to be updated throughout the process – Especially once the project / partnership structure become more advanced



B&D / FAU P3 Committee to Give Update to BoT

Next Steps

Next Steps: Initiate an Invitation to Negotiate process and the BoG
Advanced Notification process with BoT's support to move forward

Questions / Discussion



Florida Atlantic University

Student Housing Implementation Plan

FAU Board of Trustees Meeting | October 2017

