



Ohio Association of College and University Business Officers



FROM DREAM TO REALITY: PUBLIC/PRIVATE PARTNERSHIPS

PRESENTATION | APRIL 29, 2013

AGENDA

OACUBO ANNUAL MEETING
APRIL 29, 2013

- ◆ B&D Introduction
- ◆ Project Development Process
 - ◆ Strategic Visioning
 - ◆ Demand / Feasibility Analysis
 - ◆ Partnership Structure Analysis
 - ◆ Selection Process
 - ◆ Implementation Strategy
 - ◆ Partnership Agreement
- ◆ Risk Mitigation
- ◆ Q&A

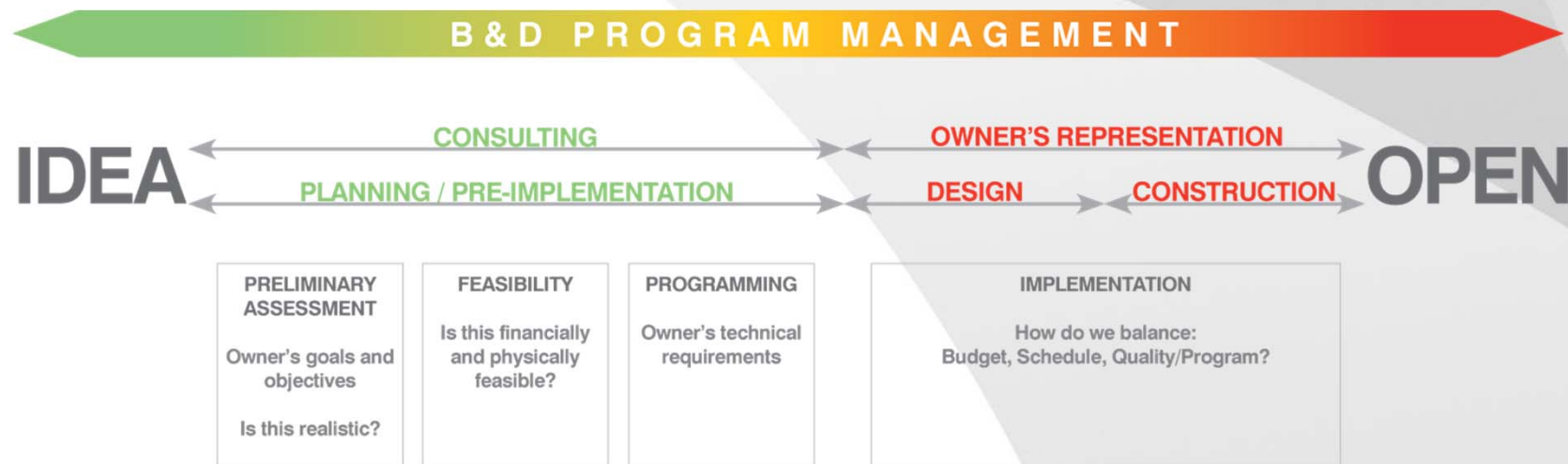




INTRODUCTION

INTRODUCTION

BRAILSFORD & DUNLAVEY



Brailsford & Dunlavey is a **program management** firm that can take your projects from **dream** to **reality**, while **mitigating risk** every step of the way.

AREAS OF EXPERTISE

BRAILSFORD & DUNLAVEY

SERVICES

- ◆ Strategic Planning
- ◆ Market Analysis
- ◆ Programming
- ◆ Financial Analysis
- ◆ Economic Impact Analysis
- ◆ Site Analysis / Selection
- ◆ Referendum Planning
- ◆ Business Planning
- ◆ Architectural Selection
- ◆ Design Management
- ◆ Management Consulting
- ◆ Program Management

PORTFOLIO

- ◆ Student Housing
- ◆ Workforce Housing
- ◆ Recreation / Athletics
- ◆ Unions
- ◆ Ballparks
- ◆ Stadiums / Arenas
- ◆ Community Recreation
- ◆ Conference Centers
- ◆ Academic / Administration
- ◆ Campus Edge / Mixed-Use
- ◆ Dining / Retail
- ◆ Faculty Clubs

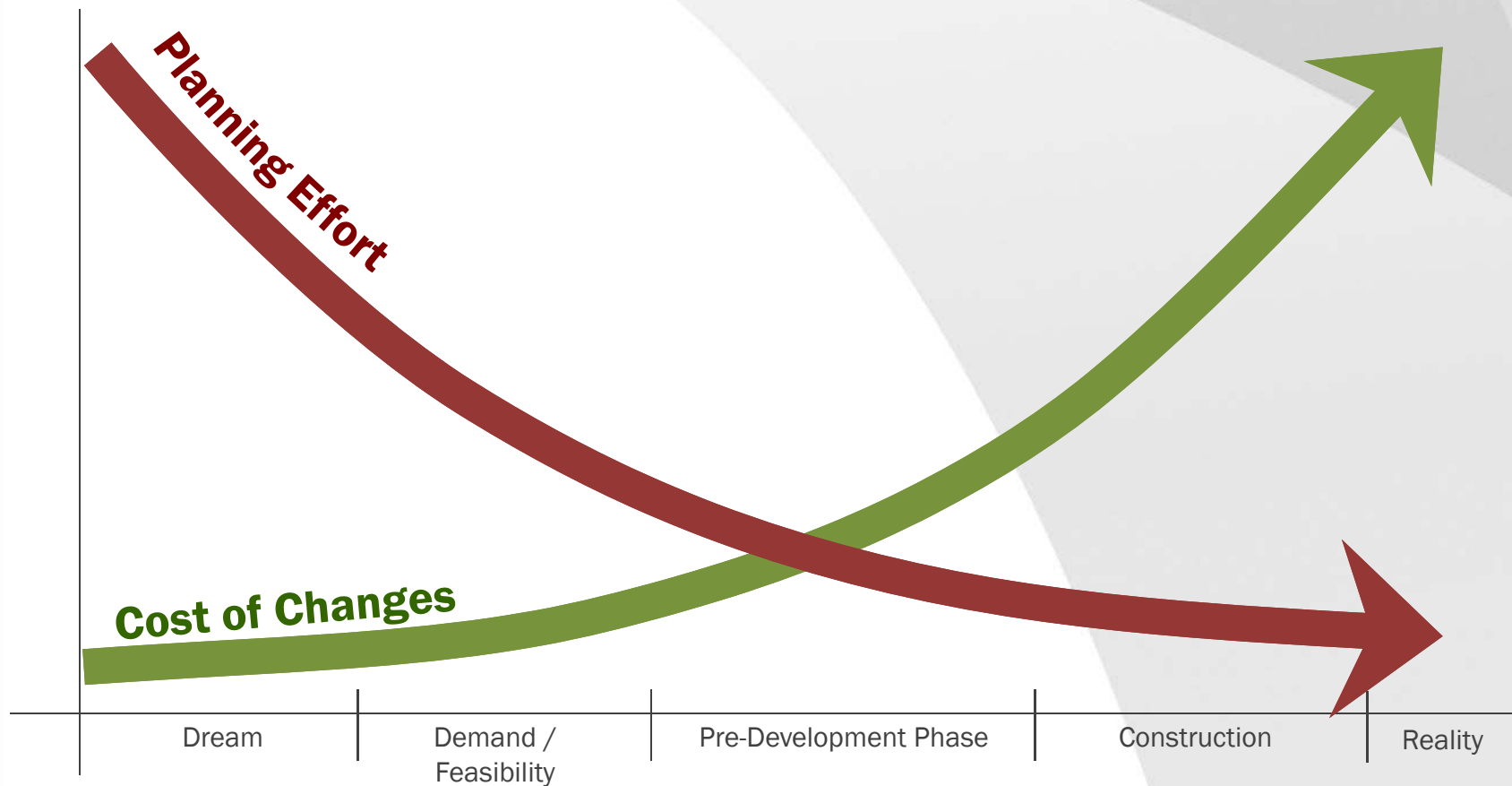
Bowling Green State University - Case Western Reserve University - Central State University - Cleveland State University - College of Wooster - Kent State University - Kenyon College - Miami University - Miami University (Hamilton) - Ohio Dominican University - Ohio University - The Ohio State University - The Ohio State University (Mansfield) - Terra State Community College - University of Akron - University of Cincinnati - University of Toledo - Wright State University - Xavier University



PROJECT DEVELOPMENT PROCESS

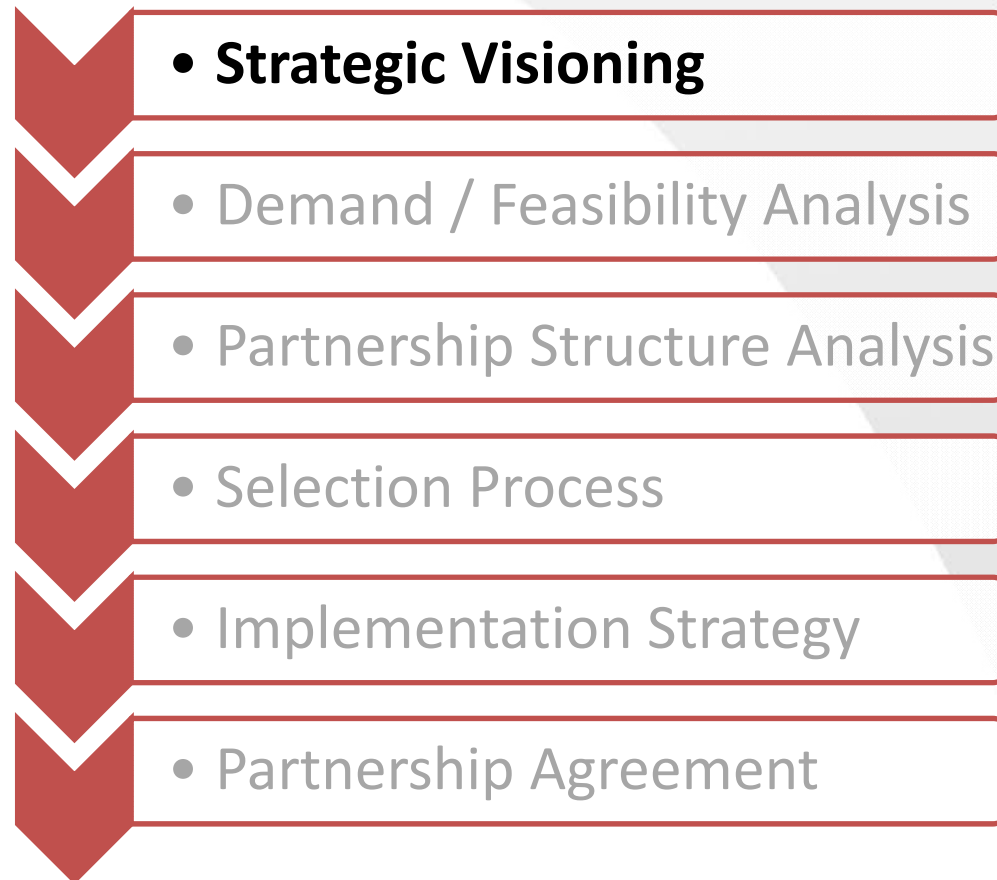
PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



STRATEGIC VISIONING

TARGETED NEW REALITY
STRATEGIC ASSET VALUE - SAV STORY

◆ Educational Outcomes

- ◆ Institutional Growth
- ◆ Leadership Development
- ◆ Student Employment
- ◆ Faculty Recruitment
- ◆ Academic Activities

◆ Enrollment Management

- ◆ Recruitment
- ◆ Retention
- ◆ Graduation
- ◆ Alumni Development

◆ Campus Community

- ◆ Central Gathering Place
- ◆ Faculty / Staff / Student Interaction
- ◆ Alcohol-Free Social Opportunities
- ◆ Late Night / Weekend Programming
- ◆ Campus Gateway
- ◆ Out-of-Classroom Experience

 Institutional Priorities & Desired Project Outcomes

STRATEGIC VISIONING

TARGETED NEW REALITY
STRATEGIC ASSET VALUE - SAV STORY

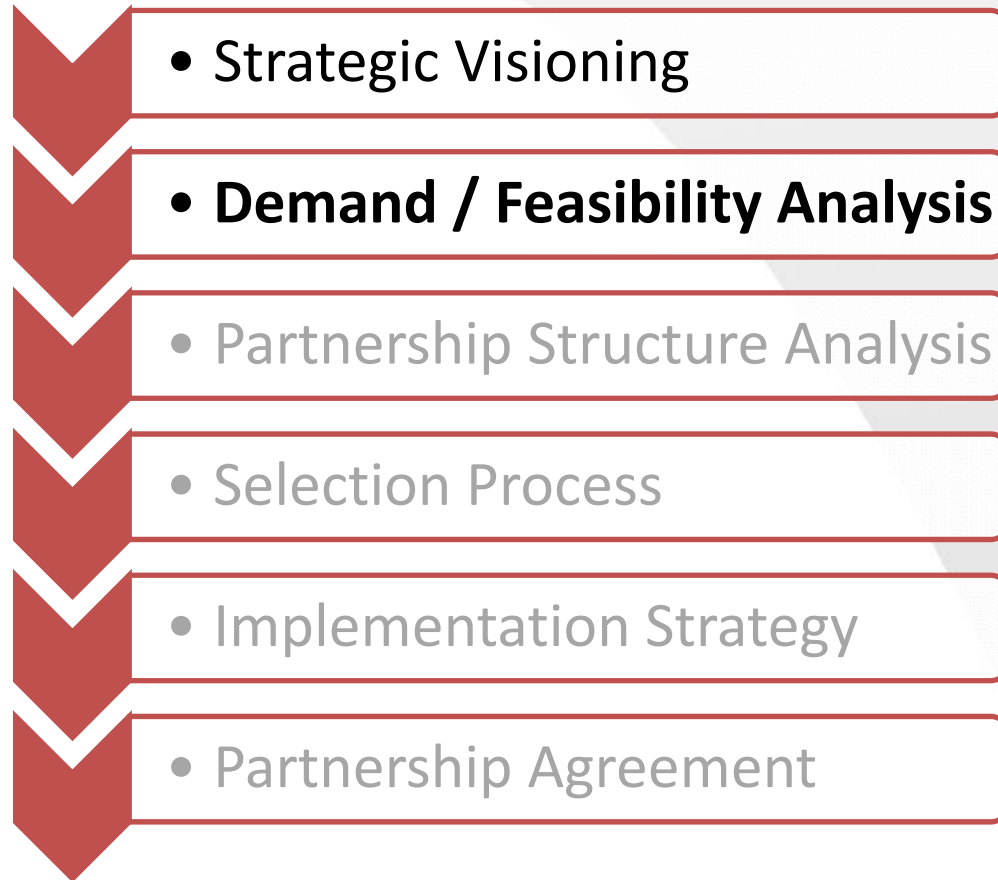
◆ Financial Performance

- ◆ Risk Tolerance
 - ◆ Affiliation agreement, alternative financing?
- ◆ Return on Investment
 - ◆ Tangible, intangible?
- ◆ Balance Sheet Utilization
 - ◆ On-balance sheet, on-credit?
- ◆ Sustainable Design / Operations
 - ◆ Cost-benefit analysis, learning / teaching opportunity?
- ◆ Level of Service
 - ◆ Programming for Students / Community?

 Institutional Priorities & Desired Project Outcomes

PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



DEMAND / FEASIBILITY ANALYSIS

DEFINING THE POSSIBILITIES

◆ Demand

- ◆ Market Analysis
 - ◆ Benchmarking
 - ◆ Stakeholder Interviews
 - ◆ Focus Groups
 - ◆ Survey
- ◆ Campus Demand
 - ◆ Gap Analysis
- ◆ Community Demand
 - ◆ Off-campus Supply
 - ◆ Accommodate Community?
 - ◆ Demographic Analysis



➡ What to Build
➡ How Much to Build

DEMAND / FEASIBILITY ANALYSIS

DEFINING THE POSSIBILITIES

◆ Feasibility

- ◆ Competitive Context
 - ◆ On-campus competitors
 - ◆ Off-campus marketplace
- ◆ Detailed Financial Analysis
 - ◆ Revenues & Expenses
 - ◆ Business Plan & 10 Year Pro Forma
 - ◆ Sources & Uses
- ◆ Project Schedule
 - ◆ Financing schedule
 - ◆ Phasing schedule
- ◆ Site Evaluation
- ◆ Scenario Testing



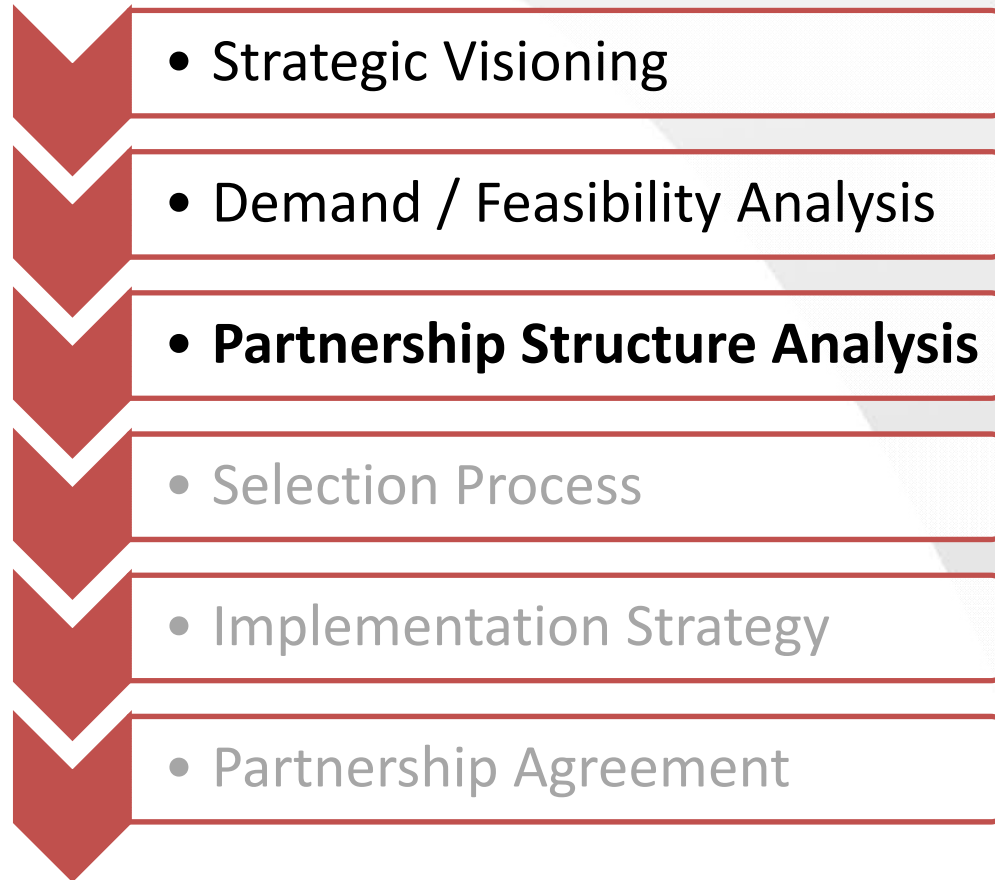
➡ How Much to Charge

➡ Where to Build

➡ When to Build

PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY

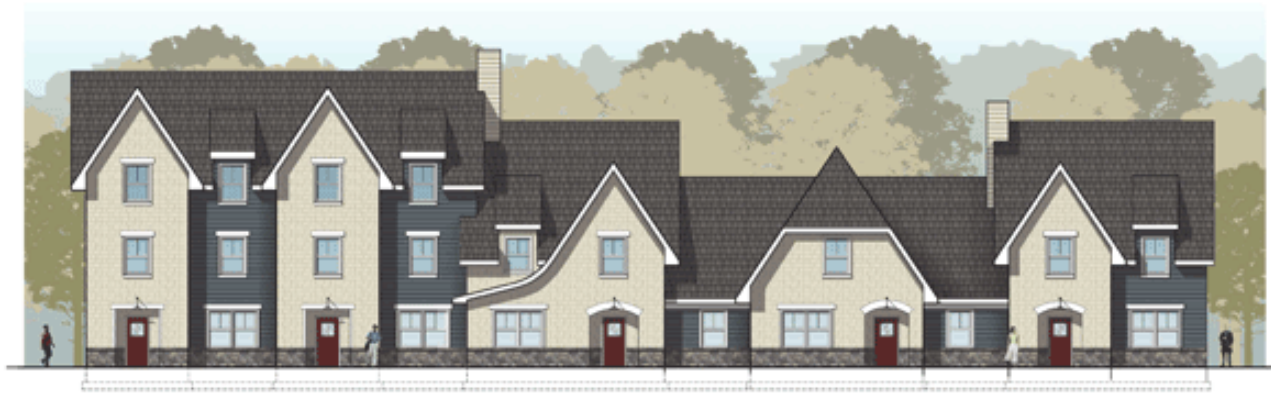


PARTNERSHIP STRUCTURE ANALYSIS

WHY PARTNER?

- ◆ Project Development
- ◆ Financial Capacity
- ◆ Operating Risk
- ◆ Ownership
- ◆ Management Skill

Understand the extent of your performance capacity shortfalls, prioritize them and determine what trade-offs would be acceptable to the institution.



PARTNERSHIP STRUCTURE ANALYSIS

POTENTIAL INSTITUTIONAL NEEDS

- ◆ **Project Development**
 - Skill
- ◆ Financial Capacity
 - Capacity
 - Flexibility
 - Speed
- ◆ Operating Risk
- ◆ Ownership
- ◆ Management Skill

PARTNERSHIP STRUCTURE ANALYSIS

POTENTIAL INSTITUTIONAL NEEDS

- ◆ Project Development
- ◆ **Financial Capacity**
 - Creating Capacity
 - Preserving Capacity
 - Generating Cash Flow
 - Rating Impact
- ◆ Operating Risk
- ◆ Ownership
- ◆ Management Skill

PARTNERSHIP STRUCTURE ANALYSIS

POTENTIAL INSTITUTIONAL NEEDS

- ◆ Project Development
- ◆ Financial Capacity
- ◆ **Operating Risk**
 - Short-term / Long-term
 - Demand risk
 - Economies of scale
- ◆ Ownership
- ◆ Management Skill

PARTNERSHIP STRUCTURE ANALYSIS

POTENTIAL INSTITUTIONAL NEEDS

- ◆ Project Development
- ◆ Financial Capacity
- ◆ Operating Risk
- ◆ **Ownership**
 - Risk
 - Control
- ◆ Management Skill

PARTNERSHIP STRUCTURE ANALYSIS

POTENTIAL INSTITUTIONAL NEEDS

- ◆ Project Development
- ◆ Financial Capacity
- ◆ Operating Risk
- ◆ Ownership
- ◆ **Management Skill**
 - Event Management
 - Residence Life
 - Operations / Programming
 - Marketing

PARTNERSHIP STRUCTURE ANALYSIS

ALTERNATIVE APPROACH TO PROJECT DEVELOPMENT

1. Traditional Approach

- A. University financed with tax-exempt bonds through auxiliary system
- B. Student rents or fees used to retire debt

2. Affiliated Non-Profit Sponsored Development

- A. University partners with associated 501(c)3 organization
- B. Project backed by a master lease from the university

3. Private Development/Unaffiliated

- A. Ground lease with developer
- B. No other university involvement

PARTNERSHIP STRUCTURE ANALYSIS

ON- OR OFF-CREDIT/BALANCE SHEET?

Ratings agencies consider:

- ◆ How does the project fit into the broader strategic goals of the institution?
- ◆ What benefit does the institution obtain because of the partnership?
- ◆ What elements of the project are controlled by the institution?
- ◆ What is the institution giving up?

Specific Categories:

- ◆ Location
- ◆ Land Ownership Structure
- ◆ Rental Rates
- ◆ Target Market
- ◆ Marketing & Management
- ◆ Institutional Affiliation



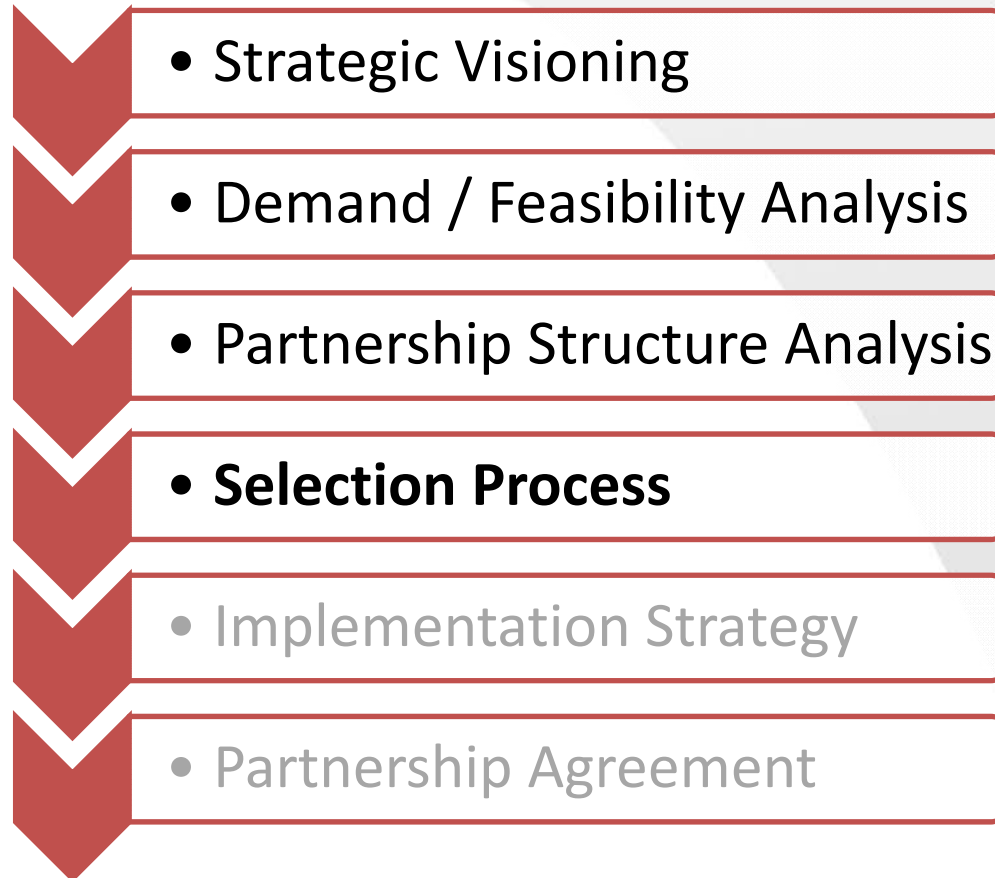
PROJECT DEVELOPMENT PROCESS

GOING FROM DREAM TO REALITY



PROJECT DEVELOPMENT PROCESS

GOING FROM DREAM TO REALITY



SELECTION PROCESS

SELECTION TOOLS

◆ RFI

◆ RFQ

◆ RFP

◆ Interviews

◆ Design Competition

◆ Site Visits

College

- Confirm interest at a low cost

- Strategy & concept only

Partner

- Low cost

- Opportunity relationship building

SELECTION PROCESS

SELECTION TOOLS

- ◆ RFI
- ◆ RFQ
- ◆ RFP
- ◆ Interviews
- ◆ Design Competition
- ◆ Site Visits

College

- Minimal project planning required
- Reference checks can be conducted

Partner

- Low cost response

SELECTION PROCESS

SELECTION TOOLS

- ◆ RFI
- ◆ RFQ
- ◆ **RFP**
- ◆ Interviews
- ◆ Design Competition
- ◆ Site Visits

College

- Must be a carefully developed document
- Completed planning must be appropriate for the request

Partner

- Willingness to compete depends upon response cost, number of proposals solicited and project scale

SELECTION PROCESS

SELECTION TOOLS

- ◆ RFI
- ◆ RFQ
- ◆ RFP
- ◆ **Interviews**
- ◆ Design Competition
- ◆ Site Visits

College

- Substantial institutional time commitment required
- Requires substantial review and interaction with partners

Partner

- Very risky if quality of information is poor or criteria & project objectives are fluid / proprietary ideas
- Limited field and partial compensation will increase interest

SELECTION PROCESS

SELECTION TOOLS

- ◆ RFI
- ◆ RFQ
- ◆ RFP
- ◆ Interviews
- ◆ **Design Competition**
- ◆ Site Visits

College

- Opportunity to test key intangibles
- Opportunity to further limit field for a design competition

Partner

- Potentially costly to participate
- Clarity of project parameters and institutional objectives is key

SELECTION PROCESS

SELECTION TOOLS

- ◆ RFI
- ◆ RFQ
- ◆ RFP
- ◆ Interviews
- ◆ Design Competition
- ◆ **Site Visits**

College

- The ultimate reference check!
- Expensive & time consuming

Partner

- Successful projects speak for themselves
- Opportunity to showcase a healthy client relationship

SELECTION PROCESS

OVERVIEW

- ◆ RFI
 - ◆ RFQ
 - ◆ RFP
 - ◆ Interviews
 - ◆ Design Competition
 - ◆ Site Visits
- Balance Institutional needs while being sensitive to partner's perspective.
- Ensure processes don't overburden potential partners.

PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



IMPLEMENTATION STRATEGY

POTENTIAL SCHEDULE CONSTRAINTS

- ◆ Public Approvals

- ◆ State Approvals
- ◆ Local Approvals
- ◆ Institutional Review & Approvals

- ◆ Public Funding

- ◆ Is this a large portion of the project's capital stack? If so, lengthy delays are possible

- ◆ Project Site

- ◆ Is the site in the middle of campus?
- ◆ Can the infrastructure work only occur over the summer?
- ◆ Environmental Concerns?

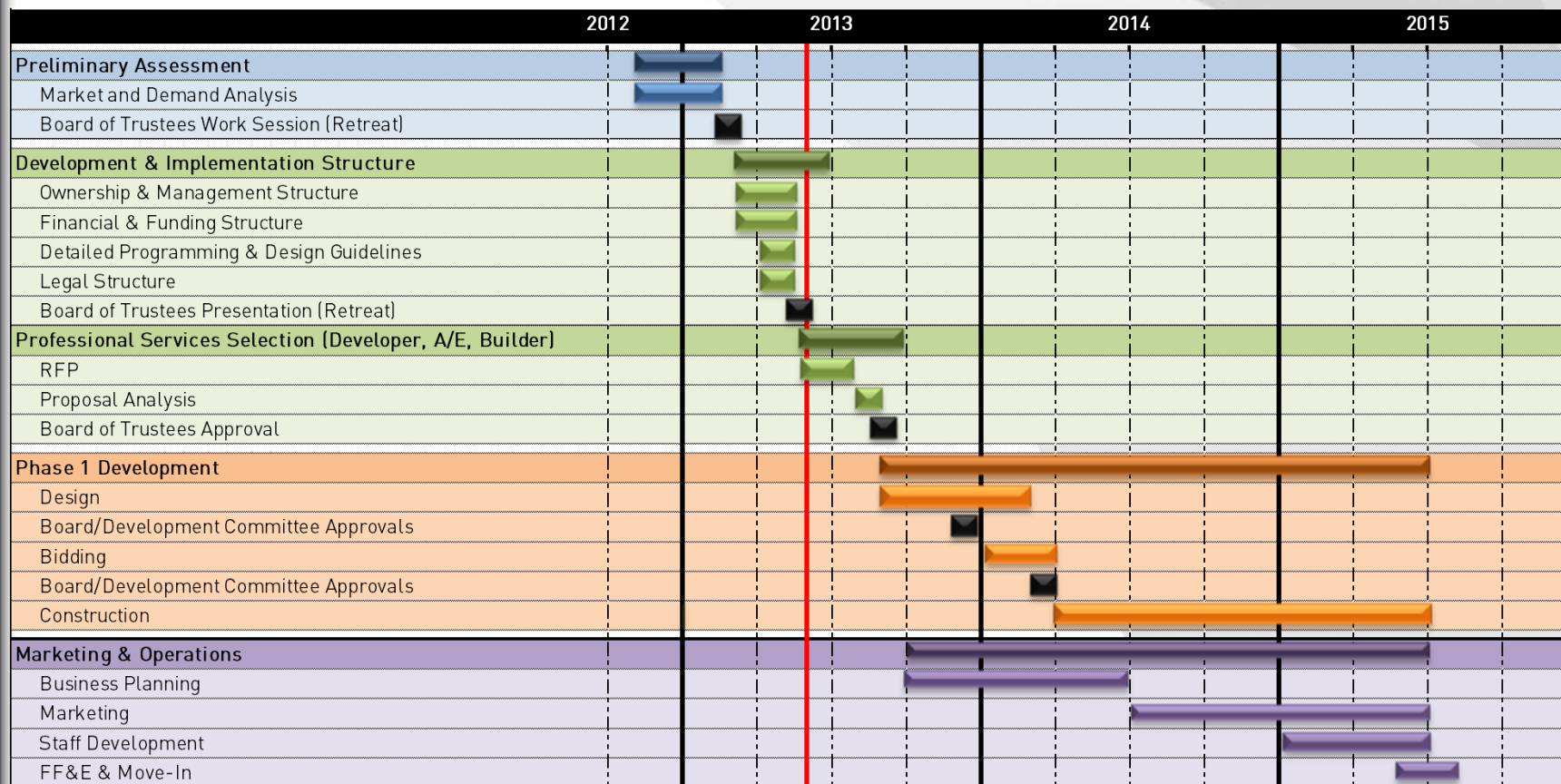
- ◆ Economic Conditions

- ◆ If the market experiences a temporary slow-down, will the project move forward?



IMPLEMENTATION STRATEGY

EXAMPLE IMPLEMENTATION SCHEDULE



IMPLEMENTATION STRATEGY

PROJECT DELIVERY OPTIONS

- ◆ Depends on the partnership structure
 - ◆ Union requirements?
 - ◆ Disadvantaged business requirements?
- ◆ Institutional review rights?
 - ◆ Construction Documents
 - ◆ Site Plan
 - ◆ Contractor Selection
- ◆ CM at Risk / CM as Agent / Design-Build



- ➔ Align strategy with institutional needs & vision – don't burden yourself by reviewing items not crucial to you
- ➔ More up-front planning makes for easier implementation

PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



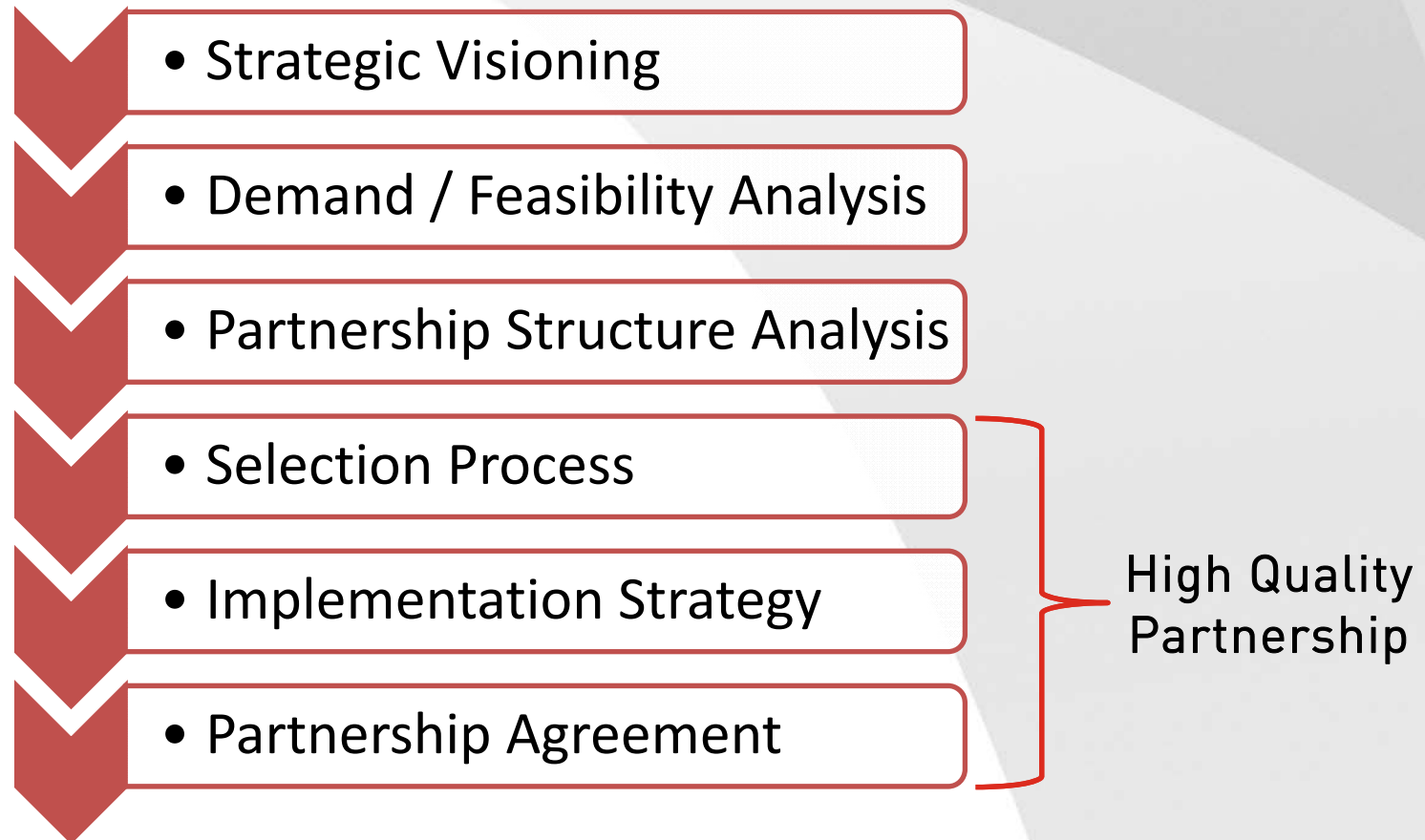
PARTNERSHIP AGREEMENT

FINALIZING THE PRE-DEVELOPMENT PROCESS

- ◆ Defined by type of partnership
 - ◆ Affiliated vs. Private
- ◆ Institutional review rights
 - ◆ Clearly defined (50% SD, 100% CD, etc.) points
 - ◆ Clearly defined time-table
- ◆ Ground lease or land transfer?
 - ◆ Ground lease term, payments, right of first refusal, reversion, etc.
 - ◆ Shared revenues or flat payment?
- ◆ Shared management / operations
- ◆ Space Guarantees
 - ◆ Bed fill, office / retail rentals, performance space, etc.

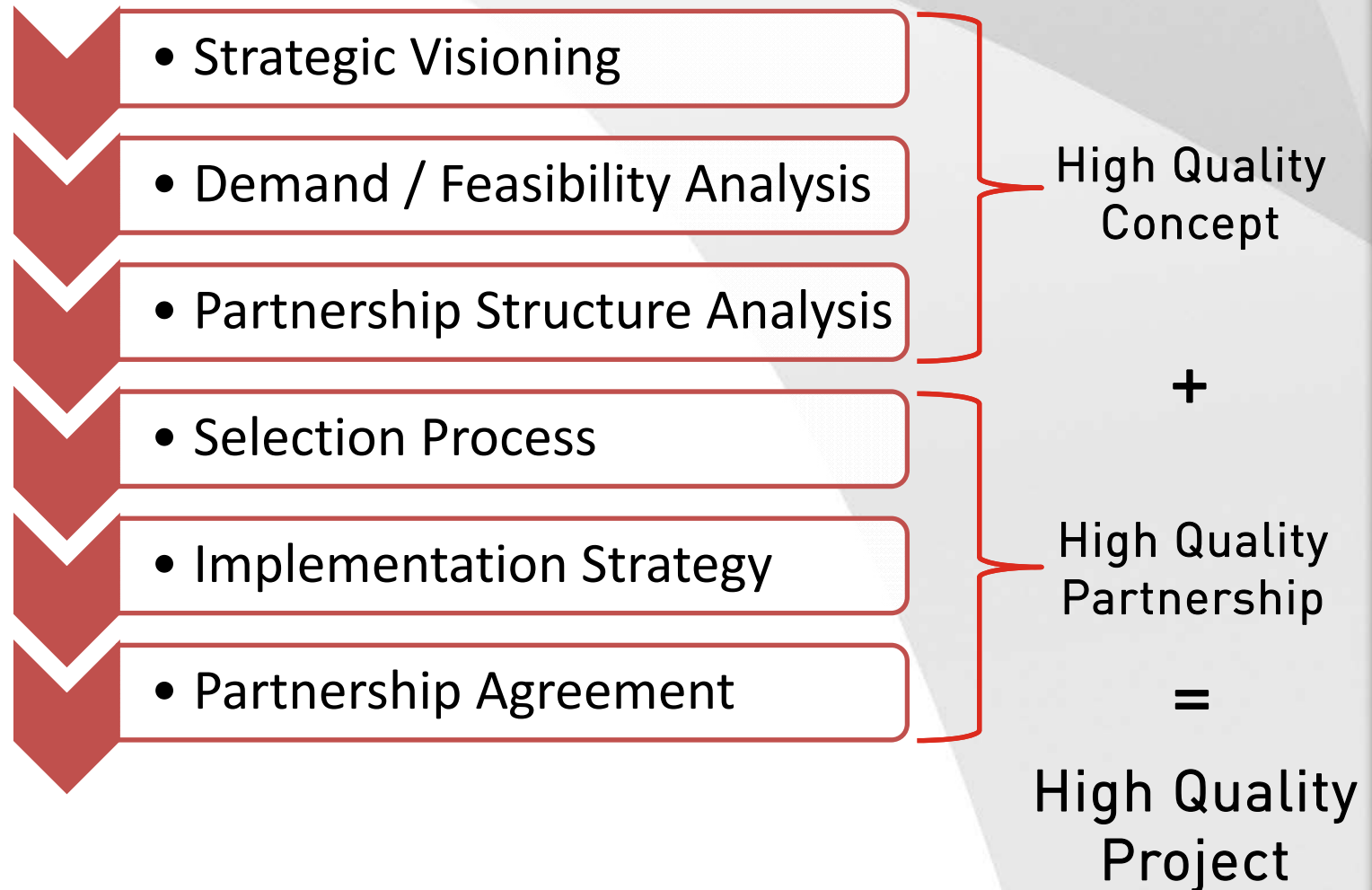
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FROM DREAM TO REALITY



PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



A photograph of a modern campus building with red brick and white siding, featuring many windows. A red semi-transparent overlay covers the middle portion of the image, where the title text is located. The sky is blue with a few wispy clouds.

RISK MITIGATION

RISK MITIGATION

PROTECTING YOUR INSTITUTION

RISK MITIGATION

- 
- Strategic Visioning
 - Demand / Feasibility Analysis
 - Partnership Structure Analysis
 - Selection Process
 - Implementation Strategy
 - Partnership Agreement

RISK MITIGATION

PROTECTING YOUR INSTITUTION

◆ Strategic Visioning

- ◆ Creates list of priorities and drivers that should be considered throughout the project – “does this potential change align with our vision?”

◆ Demand / Feasibility Analysis

- ◆ Established demand metrics
- ◆ Economically feasible projects
- ◆ Program elements can eliminate potential partners
- ◆ Determination of project size can eliminate potential partners
- ◆ Changes to an infeasible project later in the pre-development process often result compromise program that doesn't align with the institutional vision

RISK MITIGATION

PROTECTING YOUR INSTITUTION

◆ Partnership Analysis

- ◆ Defines institutional needs (management expertise, capital, etc.)
- ◆ Defines desired institutional controls (program elements, design standards, programming, etc.).
- ◆ Narrows the pool of potential candidates

◆ Selection Process

- ◆ Largest opportunity to mitigate risk
 - Expertise
 - Ability to align with strategic vision
 - Financial capacity
 - Management / operational skills

RISK MITIGATION

PROTECTING YOUR INSTITUTION

◆ Implementation Strategy

- ◆ Effective project financing and construction schedule allows both parties to market the project more effectively and build anticipation / demand
- ◆ Collaborative phasing strategy can compliment institutional needs and market conditions

◆ Partnership Agreement

- ◆ Experienced legal and development consultants create documents eliminating potential ambiguity
 - Default clauses, payment structure and order, construction processes and procedures, prohibited uses, operational and management agreements, financial auditing clauses, reversion clauses, right of first refusal / ownership approvals, common area maintenance and operating cost structure, design guidelines, etc.





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