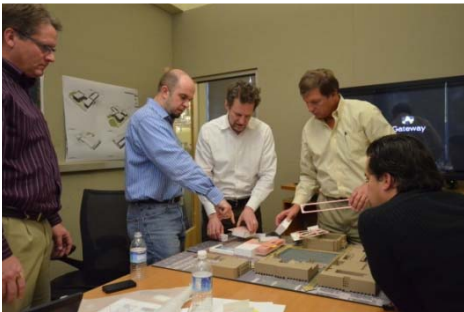




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To P3,  
or Not to P3,  
Understanding the Question

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# FIRM OVERVIEW

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## B&D has:

- ❖ Over **18 years of experience** in the development of quality of life facilities
- ❖ Worked for over **350 higher education clients** in **49 states**
- ❖ Managed or consulted on educational facilities worth **tens of billions of dollars in completed construction value**
- ❖ A long track record of transitioning projects from planning through implementation. **85% of projects planned are approved, funded and built.**



# AREAS OF EXPERTISE

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## SERVICES

- ❖ Strategic Planning
- ❖ Market Analysis
- ❖ Programming
- ❖ Financial Analysis
- ❖ Economic Impact Analysis
- ❖ Site Analysis
- ❖ Referendum Planning
- ❖ Business Planning
- ❖ Architectural Selection
- ❖ Design Management
- ❖ Construction Oversight
- ❖ Management Consulting

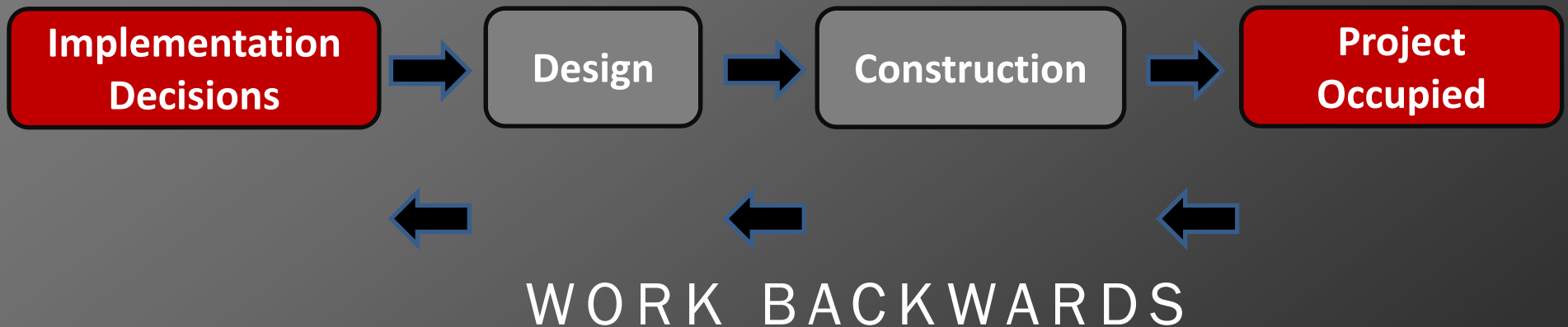
## PORTFOLIO

- ❖ Student Housing
- ❖ Workforce Housing
- ❖ Recreation/Athletics
- ❖ Unions
- ❖ Ballparks
- ❖ Stadiums/Arenas
- ❖ Community Recreation
- ❖ Conference Centers
- ❖ Academic/Admin
- ❖ Campus Edge
- ❖ Dining/Retail
- ❖ Faculty Clubs

# IMPLEMENTATION DECISIONS

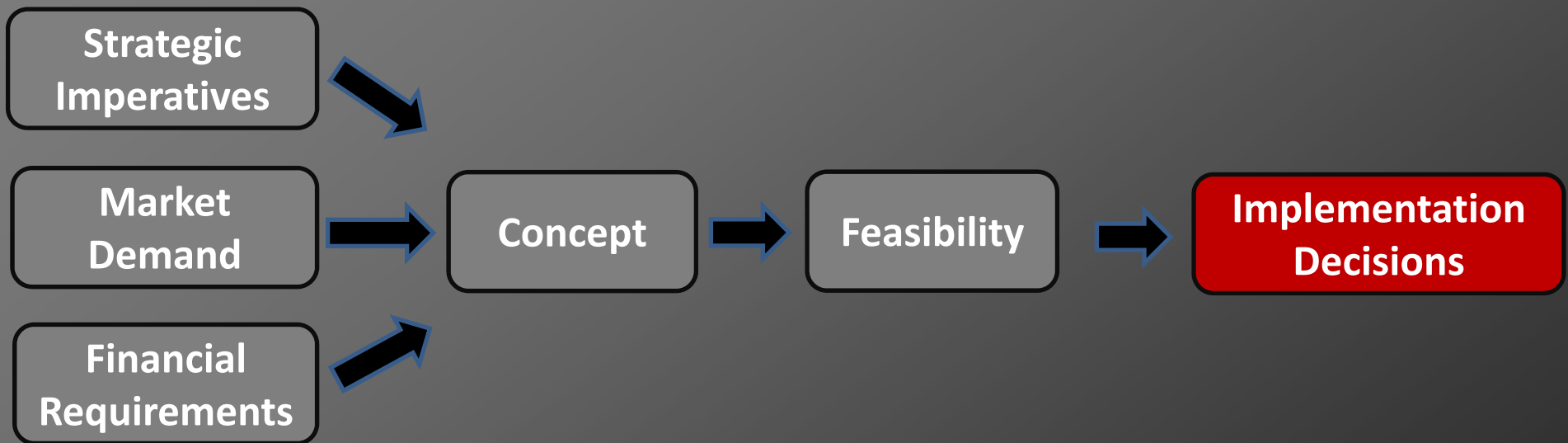
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To understand the “Story” we need to work backwards from Implementation Decisions



# WHAT DO YOU MEAN BY THE “STORY”?

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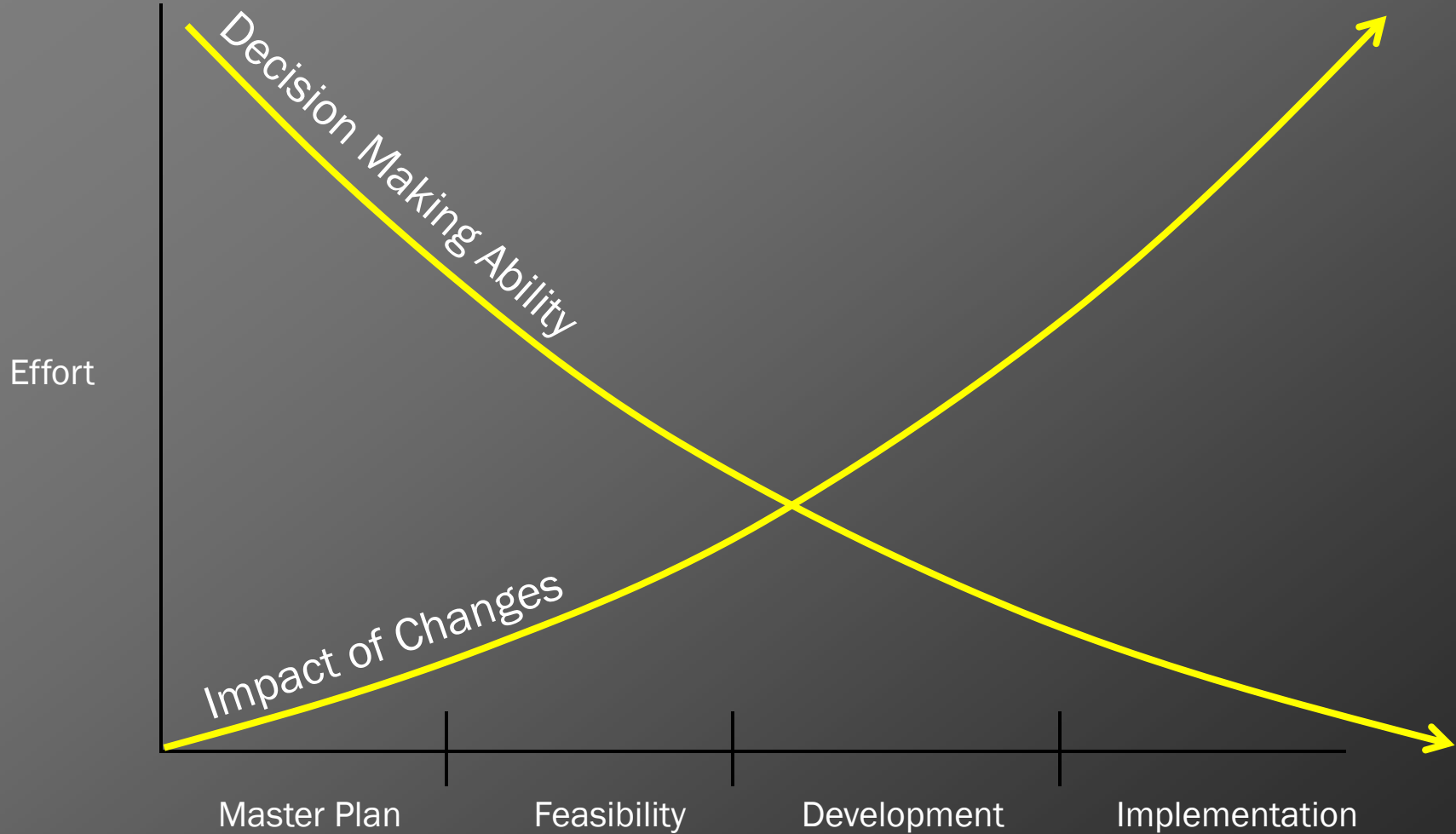
To understand the “Story” we need to work backwards from Implementation Decisions

# HOW IMPORTANT IS THE STORY?

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- ❖ Developer: Before any major financial decision, colleges and universities have to ask themselves, “What is our highest and best use?”
- ❖ Developer: “Complete an independent analysis before any funding consideration”
- ❖ Developer: “We want to make sure the projects will close. What is the project’s likely source of revenue? How much of the revenue is speculative or stretched in order to make the pro forma work?”
- ❖ Lender: “We always ask ourselves, ‘Why does the University want to do this project? What are they really trying to accomplish with this facility?’”
- ❖ Moody’s: “Manage to a strategy. Layout the story. Do not manage to a rating.”
- ❖ Moody’s: “Nothing trumps strategy.”

# HOW IMPORTANT IS THE STORY?



# DEFINING THE STORY

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## USUAL PLANNING PROCESS

Financial Feasibility  
Project Concept  
Delivery and Financing Mechanism

## OPTIMAL PLANNING PROCESS

Preliminary Market Assessment  
Detailed Market Feasibility  
Preliminary Project Program  
Financial Feasibility  
Project Concept  
Delivery and Financing Mechanism  
Implementation Strategy





# DEFINING THE CONCEPT'S OBJECTIVE

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## PRELIMINARY ASSESSMENT:

### ❖ Project Visioning:

- » Educational Outcomes
- » Enrollment Management
- » Campus Community
- » Financial Performance
- » Sustainability



1. How important are these outcomes?
2. How effective are existing student life facilities and programs?

# DEFINING THE CONCEPT'S OBJECTIVE

---

- Educational Outcomes

- Leadership Development
- Student Employment
- Leisure Activities
- Out-of-Classroom Experience
- Academic Activities

- Enrollment Management

- Recruitment
- Retention, Progression, Graduation

- Campus Community

- Central Gathering Place
- Faculty / Staff / Student Interaction
- Alcohol-Free Social Opportunities
- Late Night / Weekend Programming
- Student Life “Master Plan” Integration

- Financial Performance

- Revenue Generation (other than student fee / tuition revenue)
- Expenses Management
- Alumni Development
- Balance Sheet Utilization
- Sustainable Design / Operations

# DEFINING THE CONCEPT'S OBJECTIVE

---

## TOOLS

- » Stakeholder Interviews
- » Strategic Asset Value Analysis (SAV) / Visioning
- » SAV Story

## RESULT

- » Targeted Outcomes

# PRELIMINARY MARKET ASSESSMENT

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## PRELIMINARY ASSESSMENT:

- ❖ Intercept Interviews
- ❖ Focus Groups
- ❖ Campus Demographic
- ❖ National Benchmarks
- ❖ Economic Constraints



1. What are users needs?
2. How have users changed?
3. What can users afford?

# PRELIMINARY MARKET ASSESSMENT

---

## TOOLS

- » Focus Group Interviews
- » Quick & Dirty Program & Financial Modeling
- » Competitive Context Analysis
- » Story Development – Part II

## RESULT

- » Broad Project Concepts

# TESTING THE CONCEPT'S FEASIBILITY

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## DETAILED MARKET FEASIBILITY:


- ❖ Supply Analysis
- ❖ Demand Analysis

## PRELIMINARY PROJECT PROGRAM:

- ❖ Outline building program
- ❖ Site Analysis

## FINANCIAL FEASIBILITY:

- ❖ Pro forma generation
- ❖ Financial sensitivity
- ❖ Project program refinement
- ❖ Project concept generation

- 
1. What to build?
  2. How much to build?
  3. Where to build?
  4. How much to charge?
  5. Identify impact to University operating budget

# TESTING THE CONCEPT'S FEASIBILITY

---

## TOOLS

- » Web-based Survey
- » Demand-based Programming (DBP)
- » Comparable Facilities Analysis / Supply Inventory
- » Detailed Financial Model
- » Project Schedule
- » Preliminary Site Evaluations
- » Story Development - Part III: The "Big Idea"

## RESULT

- » Preliminary Conceptual Scenarios

# TESTING THE CONCEPT'S FEASIBILITY

## Program Cost Per Square Foot

PRELIMINARY TOTAL PROJECT COST = \$34,876,000								
Program Elements	Quantity	Unit NASF	Total NASF	New Cost/\$F	H-Reno Cost/\$F	M-Reno Cost/\$F	L-Reno Cost/\$F	Total Cost
<b>Group 1 - FOOD SERVICE</b>								
Dining Room	1	3,203	3,203	\$240	\$200	\$150	\$80	\$0
Administrative Secretary	1	831	831	\$240	\$200	\$150	\$80	\$0
Lockers	2	244	488	\$240	\$200	\$150	\$80	\$0
Receiving	1	238	238	\$240	\$200	\$150	\$80	\$35,700
<b>Subtotal - Group 1 Food Service</b>			<b>36,340</b>	<b>\$102</b>				<b>\$3,713,620</b>
<b>Group 2 - BALLROOM FACILITIES</b>								
Multipurpose Room	1	3,500	3,500	\$240	\$200	\$150	\$80	\$0
<b>Subtotal - Group 2 Ballroom Facilities</b>			<b>11,500</b>	<b>\$167</b>				<b>\$1,920,000</b>
<b>Group 3 - CONFERENCE / MEETING ROOMS</b>								
Conference Room	1	266	266	\$260	\$200	\$150	\$80	\$0
<b>Subtotal - Group 3 Conference / Meeting Rooms</b>			<b>6,865</b>	<b>\$182</b>				<b>\$1,247,920</b>
<b>Group 4 - BOOKSTORE</b>								
University Bookstore (B&D)	1	11,200	11,200	\$260	\$200	\$150	\$80	\$2,912,000
<b>Subtotal Group 4 Bookstore</b>			<b>11,200</b>	<b>\$260</b>				<b>\$2,912,000</b>
<b>Group 5 - THEATER / AUDITORIUM</b>								
Small Theater (approximately 300 seats) (USD)	1	2,200	2,200	\$260	\$200	\$150	\$80	\$672,000
<b>Subtotal - Group 5 Theater / Auditorium</b>			<b>4,100</b>	<b>\$260</b>				<b>\$1,066,006</b>
<b>Group 6 - RECREATION / ENTERTAINMENT</b>								
Outdoor Recreation Equipment	1	723	723	\$260	\$200	\$150	\$80	\$0
<b>Subtotal - Group 6 Recreation / Entertainment</b>			<b>3,049</b>	<b>\$171</b>				<b>\$520,000</b>
<b>Group 7 - LOUNGE SPACE</b>								
Lounge	1	1,367	1,367	\$260	\$200	\$150	\$80	\$109,360
<b>Subtotal - Group 7 Lounge Space</b>			<b>4,167</b>	<b>\$201</b>				<b>\$837,366</b>
<b>Group 8 - STUDENT ORGANIZATIONS</b>								
Student Organizations	1	1,051	1,051	\$260	\$200	\$150	\$80	\$84,080
<b>Subtotal - Group 8 Student Organizations</b>			<b>9,365</b>	<b>\$165</b>				<b>\$1,542,780</b>
<b>Total NASF</b>			<b>105,963</b>	<b>\$158</b>				<b>16,741,800</b>
<b>Building Core &amp; Circulation With Building Efficiency @</b>		<b>67.0%</b>	<b>52,200</b>	<b>\$80</b>				<b>\$4,176,000</b>
<b>Total Building Envelope</b>			<b>158,115</b>	<b>\$132</b>				<b>\$20,917,800</b>

## Project Concept Budget

Hard Costs	
1 Site Acquisition	\$0
2 Construction Contract	
A. Enclosed Building	\$20,918,000
B. Demolition, Excavation & Site Preparation	\$1,044,000
C. Site Utilities & Infrastructure	\$500,000
D. Parking	\$0
E. Landscape Allowance	\$200,000
3 Furniture, Fixtures & Equipment	\$1,581,000
4 Inflation Allowance	\$2,250,000
<b>Subtotal - Hard Costs</b>	<b>\$26,493,000</b>
Soft Costs	
5 Architectural & Engineering Fees	\$2,047,000
6 Additional Architectural & Engineering Services	\$205,000
7 Testing Fees, Surveys, Etc.	\$100,000
8 Local Fees & Permits	\$50,000
9 Start-Up Expenses (Pre-Opening salaries & marketing, etc)	\$50,000
10 Direct Project Expenses	\$50,000
11 Project Contingency	\$2,900,000
12 Construction Period Interest	\$630,000
13 Project Management	\$957,000
14 Fundraising Fees	\$0
15 Debt Issuance Fees	\$1,004,000
16 Credit Insurance	\$390,000
<b>Subtotal - Soft Costs</b>	<b>\$8,383,000</b>
<b>Total Project Costs</b>	<b>\$34,876,000</b>



# COMMON PITFALLS without FEASIBILITY

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- ❖ Cash Cows Need Renovation
- ❖ Upper Division Students Leave Campus Housing
- ❖ Temporary Hotel Beds
- ❖ Student Fees Too High

# REFINING THE CONCEPT

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## TOOLS

- » Enhanced Financial Modeling
- » Detailed Project Schedule
- » Site Selection
- » Analysis of Financing & Ownership Options
- » Sensitivity Analyses / Initial Value Engineering
- » Project Cash Flow Analysis
- » Approval Process Management

## RESULT

- » Implementable Projects

# REFINING THE CONCEPT

---

- ❖ Credit Rating: If considering a project be prepared to answer these:
  1. How does this transaction fit into the broader strategic goals of the university?
  2. How “core” is the project to the mission, market position, and operation of the university?
  3. What specific benefits does the university gain from the proposed structure of the financing?
  4. What elements of the transaction does the university control and what is controlled by the third party?
  5. What is the university bringing to the agreement?
  6. What is the university giving up in this agreement (pricing, control, net income, future competitive choice)

# CONCEPT IMPLEMENTATION

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## TYPICAL CONCEPT DELIVERY OPTIONS:

- ❖ Traditional University Approach:
  - » University financed with tax-exempt bonds through auxiliary system
  - » Student rents or fees use to retire debt
  
- ❖ Affiliated Non-Profit Sponsored Development:
  - » University partners with associated 501(c)(3) organization
  - » Project may be backed by a master lease from the University
  
- ❖ Private Development / Unaffiliated:
  - » Ground lease with developer
  - » No other University involvement

# CONCEPT IMPLEMENTATION

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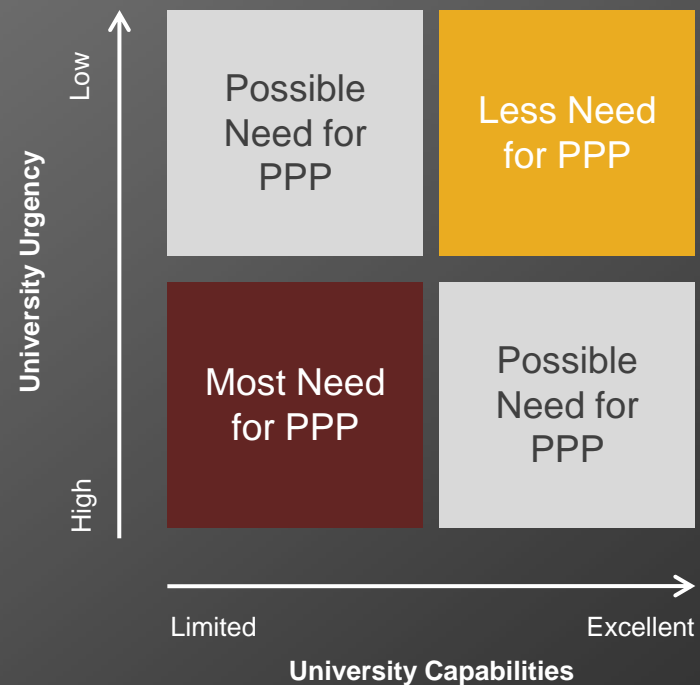
## TYPICAL CONCEPT DELIVERY OPTIONS:

	UNIVERSITY	AFFILIATED	PRIVATE DEVELOPER
Cost of Capital	Lowest	Middle	Highest
Speed of Delivery	Slowest	Closer to Private Developer	Fastest
University Control (program, operations, tenants, etc.)	Greatest	Need for control / manage the developer	Least
University Risk (delivery, financing, lease-up, etc.)	Greatest Exposure	Some Exposure	Least Exposure
University Financial Impact / Debt Capacity	Greatest Exposure / Opportunity	Some Impact	Least Exposure / Opportunity

# CONCEPT IMPLEMENTATION

## COMMON IMPLEMENTATION DRIVERS:

- ❖ Determine your capabilities
  - » **Political support,**
  - » **Financial strength,**
  - » **Development expertise, and**
  - » **etc.**

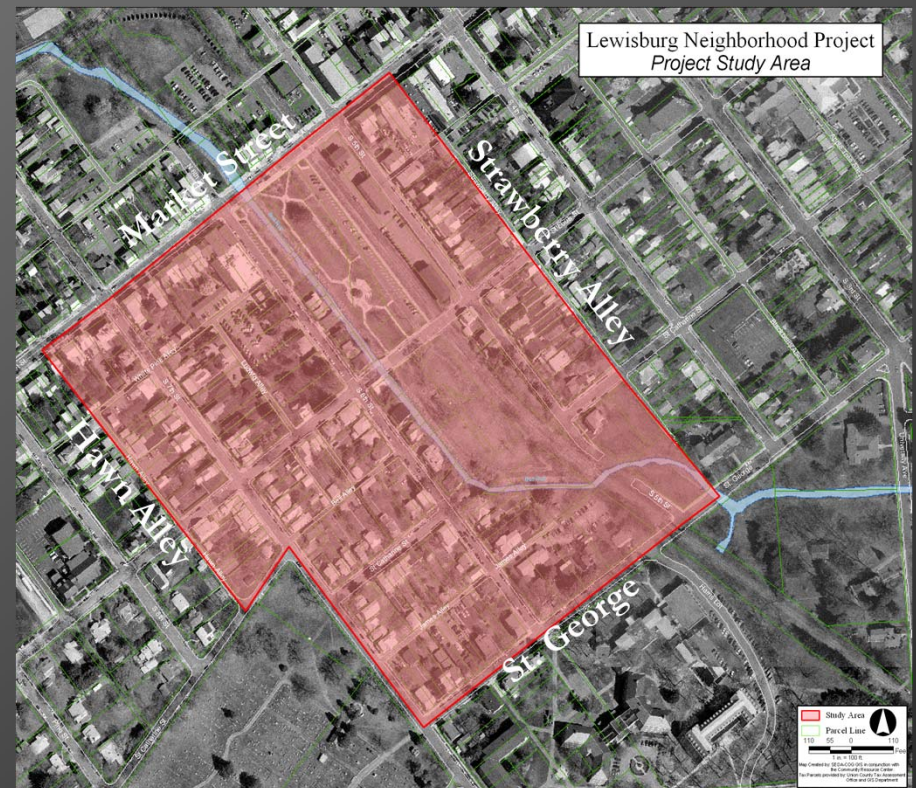


# CASE STUDY – Campus Edge

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## BUCKNELL UNIVERSITY:

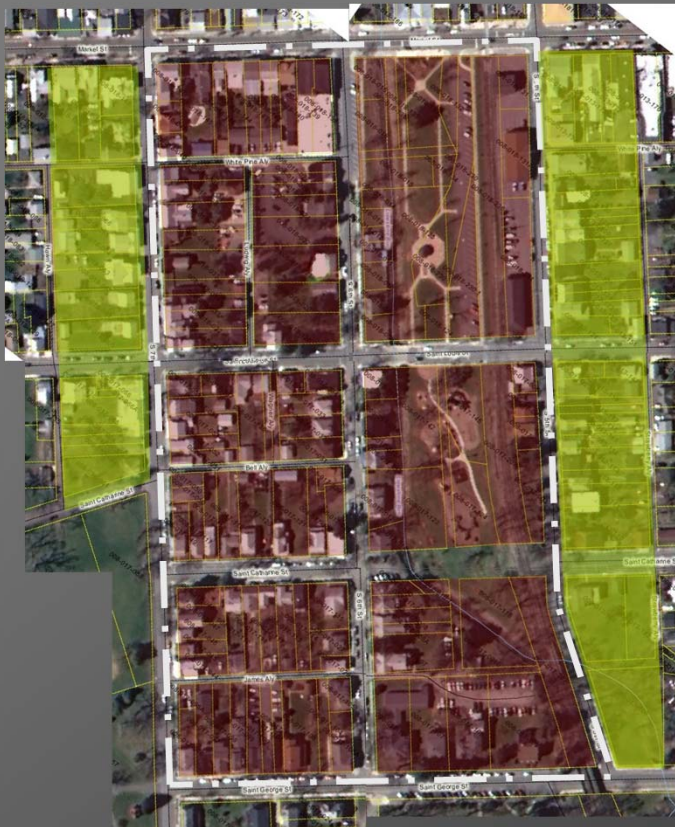
- ❖ Strengthen recruitment
- ❖ Enhance the neighborhood
- ❖ Link to Market Street
- ❖ Define campus gateway
- ❖ Complement existing retail downtown
- ❖ Clarify housing options for upper division and faculty and staff
- ❖ Improve community relations



# CASE STUDY – Campus Edge

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## BUCKNELL UNIVERSITY:



### Study Area

- ❖ 82 Owners
- ❖ 181 Parcels
- ❖ 36 Acres

### Primary Area

- ❖ 53 Owners
- ❖ 126 Parcels
- ❖ 29 Acres



# CASE STUDY – Campus Edge

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## BUCKNELL UNIVERSITY:



- ❖ Program ranged from the relocation of their bookstore and administrative building to business conference center and housing
- ❖ Funding gap emerged to execute the full plan
- ❖ Multi-phase development strategy that became feasible with the assistance from local, state, and federal grants bridged this gap

# CASE STUDY – Campus Edge

---

## **BUCKNELL UNIVERSITY:**

- ❖ Catalyst for downtown economic development
- ❖ Bookstore relocated to downtown location
- ❖ Released 12,500 SF of space on campus
- ❖ Historical rehabilitation of 29,500 SF of space
- ❖ Programmable space for events, performances, and the publications
- ❖ Partners included the Borough, the State, Barnes & Noble, and a private developer



# CASE STUDY – Workforce Housing

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## **GEORGE MASON UNIVERSITY:**

- ❖ Attract and retain the best and brightest faculty and staff members
- ❖ Provide affordable housing in one of the most unaffordable rental markets
- ❖ Reduce the commute for new faculty and staff by providing housing on campus



# CASE STUDY – Workforce Housing

---

## **GEORGE MASON UNIVERSITY:**

- ❖ Determined demand for 157 units on the 17.5 acres
- ❖ Rents capped at 90% of market rate and 3 years of maximum occupancy
- ❖ Priority for housing went to newer faculty and staff, followed by graduate students, and lastly upper division students



# CASE STUDY – Workforce Housing

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## **GEORGE MASON UNIVERSITY:**

- ❖ The project size was approximately \$40 million with a 40 year ground lease
- ❖ Assessed various financing strategies, but determined the 501(c)(3) approach was the best delivery method moving forward
- ❖ Created a sole purpose entity in Mason Housing, Inc.
- ❖ Utilized a Public / Private Education and Infrastructure Act of 2002 (PPEA) to utilize private expertise for development
- ❖ Had to receive public approvals for an “atypical” construction quality through the Bureau of Capital Outlay Management (BCOM)
  - » BCOM was not familiar with the wood framed development
  - » This presented challenges to the overall development schedule

# CASE STUDY – Housing & Recreation

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## MARSHALL UNIVERSITY:

- » To meet quality of life needs on campus while preserving debt capacity for future projects.
- » To enhance the campus area near the stadium
- » To increase campus convenience with parking structure



# CASE STUDY – Housing & Recreation

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## MARSHALL UNIVERSITY:

- » Residence hall beds were in high demand and desperately needed on campus
  - 784-bed residence hall
  
- » Recreation was demanded but was hard to work financially
  - Escalation of fees from previous referendum
  - 123,000 square foot recreation center, resurfacing of tennis court, 2 new athletic fields
  
- » Parking was determined not feasible



# CASE STUDY – Housing & Recreation

---

## MARSHALL UNIVERSITY:

- » University-owned land
- » Ground lease to Not For Profit Public Benefit Corporation – Owner
- » Variable-rate Demand Revenue Bonds (Tax-exempt)
  - Required a Guarantor - Letter of Credit
- » Private Developer
  - Fee-based development with subordinated fee
- » Private Management Companies
  - Recreation
  - Housing



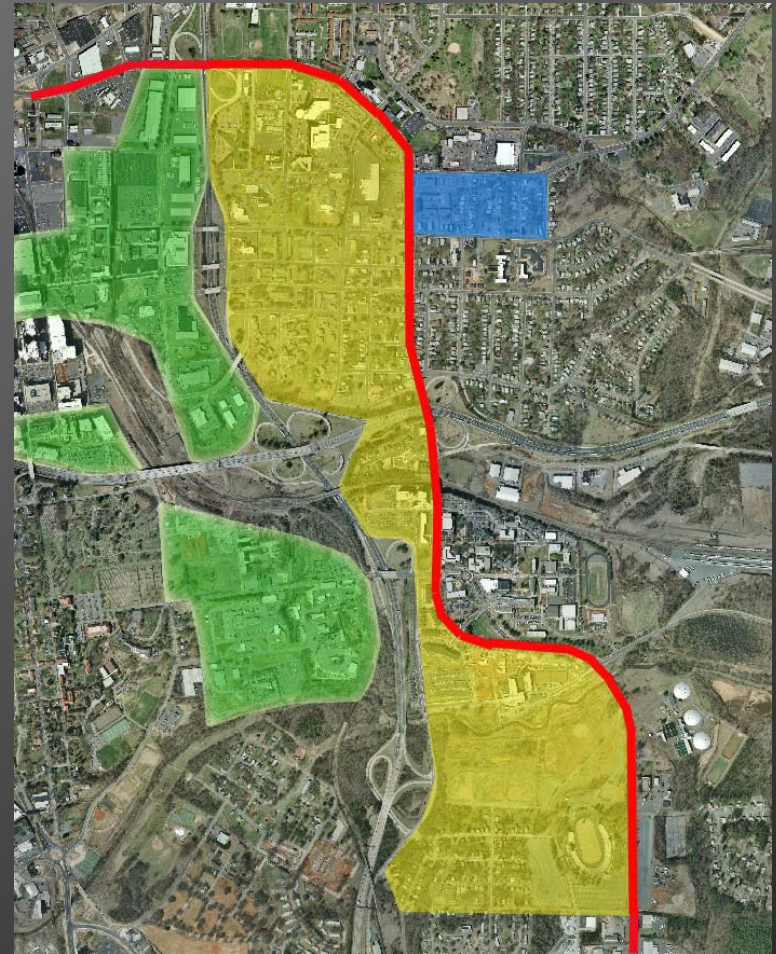


# CASE STUDY – Destination Retail

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## Winston-Salem State University

- ❖ Development of iconic campus gateway
- ❖ Creation of Destination Retail
- ❖ Improved town-gown relationships
- ❖ Institutional Visibility/Branding to Market

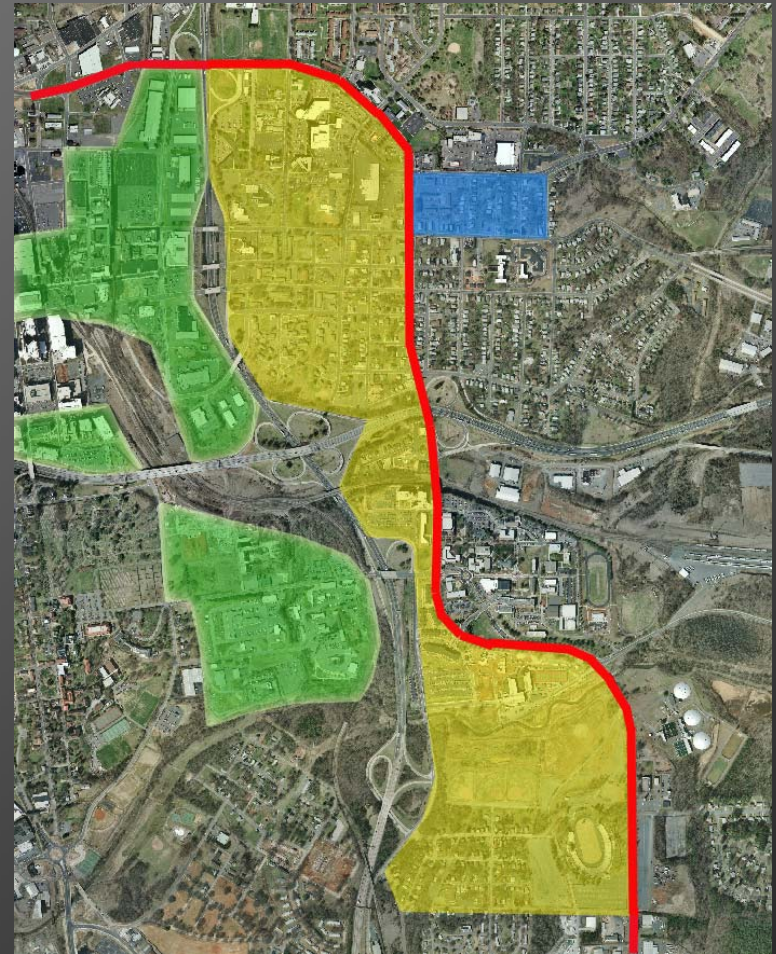


# CASE STUDY – Destination Retail

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## Winston-Salem State University

- ❖ Phasing dictated by market conditions
- ❖ Change in zoning regulations
- ❖ Community stakeholder interaction

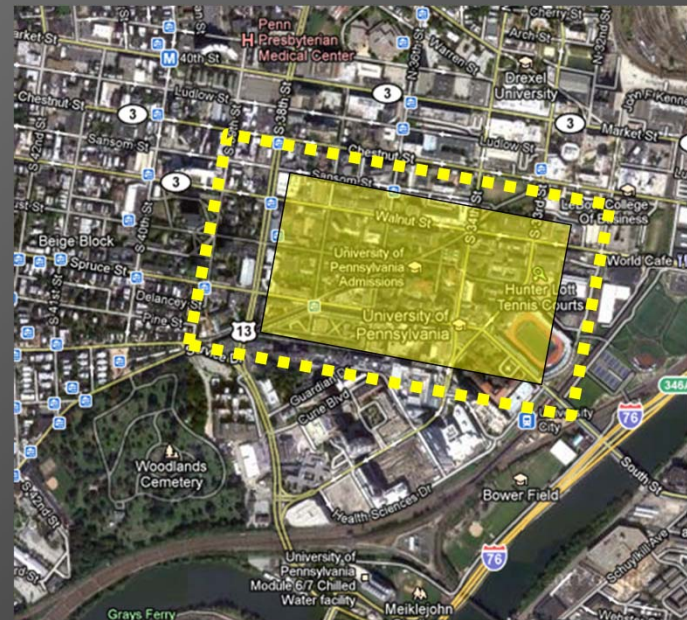


# CASE STUDY – Campus Edge

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## UNIVERSITY OF PENNSYLVANIA:

- ❖ Extension of campus borders
- ❖ Perception of campus safety
- ❖ Development of infrastructure for community investment



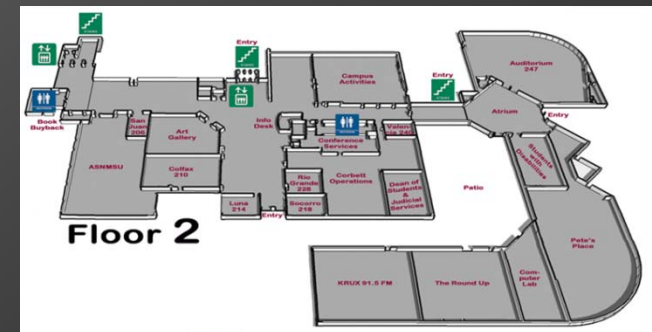
# CASE STUDY - Bookstore

## New Mexico State University

- » Improve town-gown relationships
- » Extend brand/identity to off-campus market
- » Provide safe retail/entertainment zone for students

## Expansion of Corbett Center Student Union

- » Moved bookstore out of union to campus edge
- » Student fee subsidized by off-campus demand for retail services



# SUMMARY

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## LESSONS LEARNED:

- ❖ P3s are most successful when objectives are clearly defined and planned early in the process.
- ❖ Make sure your project is feasible before you start implementation. A P3 cannot make a project feasible.
- ❖ There are advantages and disadvantages of P3 structures. Make sure to define the drivers for your implementation decisions.
- ❖ Successful Public-Private Partnerships extend beyond housing, and in some cases even beyond facility development.



# SUMMARY

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## LESSONS LEARNED:

❖ When considering P3s remember the P7s:

1. Proper
2. Prior
3. Planning
4. Prevents
5. Painfully
6. Poor
7. Performance





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or Not to P3,  
Understanding the Question

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