

# *The Facilities Café*

## *Diverse Project Delivery Is the New Reality*



**First Course** – *Appetizers, Introductions of Wait Staff & Diners*

**Second Course** – *“Cook It Yourself” Sampler at UNC Wilmington*

**Third Course** – *A “Master Chef” for Other Universities*

**Palate Cleansing** – *Break*

**Fourth Course** – *Entrée, Group Exercise*

**Fifth Course** – *Dessert, Recap of the Exercise*

**Sixth Course** – *Apertifs, An Overview of Financing Options*

**Check Please** – *Wrap-up*

# *Gourmet Dining Team*



**Brad Reid** – *Director of Housing, University of North Carolina Wilmington*

**Brad Noyes** – *Vice President, Brailsford & Dunlavey*

**Brent Jeffcoat** – *Partner and Bond Attorney, McGuire Woods*

**Ken Leonczyk** – *Managing Dir., Public Finance, Bank of America Merrill Lynch*

**Bob Gunn** – *Principal, Clark Nexsen, Architecture & Engineering*

# *UNC Wilmington: Who Are We*



## **Brad Reid** – Director of Housing and Residence Life

- Began housing career at UNC Charlotte in 1979
- Chief Housing Officer for 20 years
- Lead student affairs representative for new construction on three UNC System campuses
- Recently led the UNCW effort to construct 1,783 alternatively financed beds giving the UNCW housing program a total of 4,143 beds total
- Opened at 100% occupancy in all 31 years of residence life work

# *UNC Wilmington: Who Are We*



- Founded in 1947
- Member of 16-institution University of North Carolina System
- Enrollment of nearly 13,000 in Fall 2010
- Top 10 for 12 years of Masters Institutions in the South by US News & World Report
- “Best in the Southeast” by Princeton Review 6 years



# *Brailsford & Dunlavey: Who Are We*



## **Brad Noyes** – Vice President, Brailsford & Dunlavey

- Been with the firm since our founding in 1993
- Background in Architecture and Real Estate Development
- Frequent guest lecturer at many national higher education conferences
- Written articles on planning and program management for a number of national publications
- Experience with over 150 higher education facilities projects
  - Over \$1 billion of program management and consulting
- Experience with over 50 K-12 facilities projects
  - Over \$250 million of program management and consulting

# Brailsford & Dunlavy: Who Are We



Established in **1993**

**70+** Employees

**Office** locations

*DC, CA, IL, NC, OH, MI*

**327** Higher Education Clients



# *Brailsford & Dunlavey: Who Are We*



## SERVICES

MASTER PLANNING  
STRATEGIC PLANNING & DEVELOPMENT  
FINANCIAL ANALYSIS & BUDGET DEVELOPMENT  
ECONOMIC IMPACT ANALYSIS  
REFERENDUM PLANNING & SUPPORT SERVICES  
PROGRAM DEVELOPMENT  
ARCHITECTURE / ENGINEERING SELECTION  
CONSTRUCTION OVERSIGHT  
BUSINESS PLANNING  
MARKET ANALYSIS  
DESIGN MANAGEMENT  
FEASIBILITY & MARKET STUDY  
PROJECT BUDGET & SCHEDULE MANAGEMENT  
PROJECT / CONSULTANT TEAM COORDINATION



# *McGuire Woods: Who Are We*



## **Brent Jeffcoat** – Partner, Public Finance

- Bond counsel to the states of NC and SC
- Traditional governmental general obligation and revenue bond issues

Clemson University

Winthrop University

Medical College of Charleston

The Citadel

College of Charleston

Francis Marion University

University of South Carolina

USC Aiken

USC Beaufort



# McGuire Woods: Who Are We



# McGuire Woods: Who Are We



Total Lawyers	980
Domestic	Charlotte, Raleigh, Wilmington, Washington, DC, New York, Atlanta, Pittsburgh, Chicago, Los Angeles, Baltimore, Richmond, Tysons Corner, Norfolk, Charlottesville, Columbia and Jacksonville
Foreign	London, UK, and Brussels, Belgium
Municipal Bond Lawyers	42
Total North Carolina Lawyers	180+
Resident North Carolina Bond Lawyers	6

Given our size and geographic coverage, it would be, at best, tedious to list all the practice areas and awards. Our website, [www.mcguirewoods.com](http://www.mcguirewoods.com), has much of the information about the firm that would be helpful in evaluating our position in the market. We are an AmLaw 100 firm, which is just another way of measuring heft.

Our public finance group is also large. We've used the cover page as a visual way of showing our depth and diversity. Only seven of these lawyers are in Charlotte, but we work as a team across all our offices.

We are not emphasizing the numbers. Don't mistake, we are proud of our firm and its rankings. All of us, partners, associates, paralegals, secretaries and all other staff alike, are glad to be where we are. The numbers say something about our quality and business acumen, but there are other things we think are more important to a prospective client. Things like innovation, service, depth and proficiency.



## **Ken Leonczyk** – Managing Director

- 29 years of banking experience with significant student housing and higher education expertise
- Sample clients include:

University of North Carolina at Chapel Hill

UNC Wilmington

UNC Charlotte

UNC Greensboro

UNC Pembroke

North Carolina State University

North Carolina A&T State University

Davidson College

Queens University

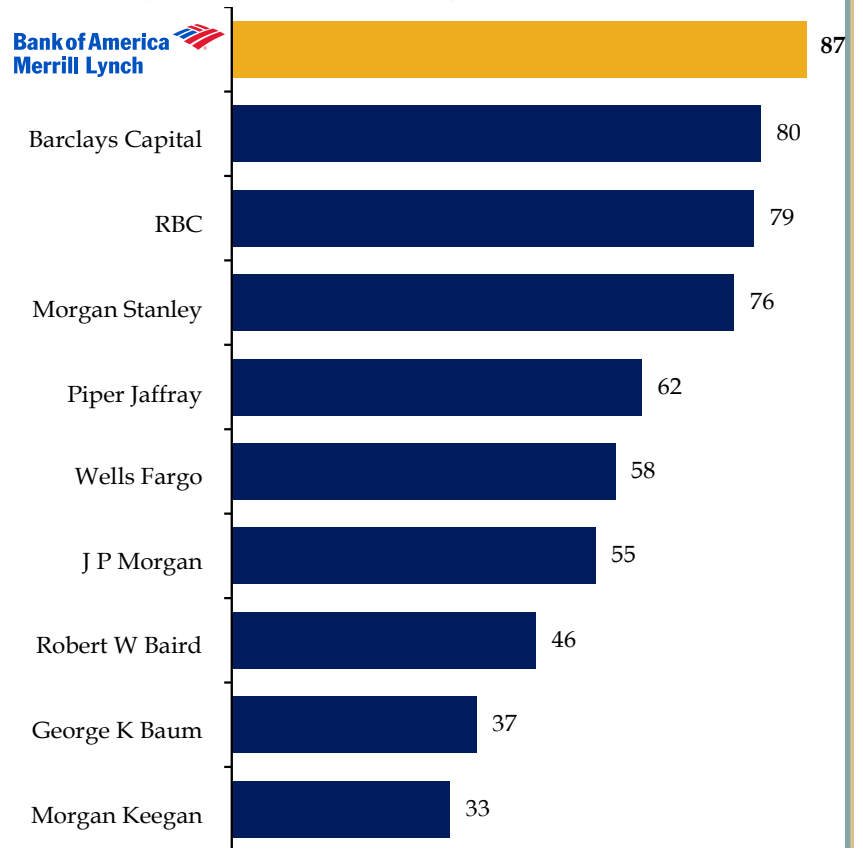
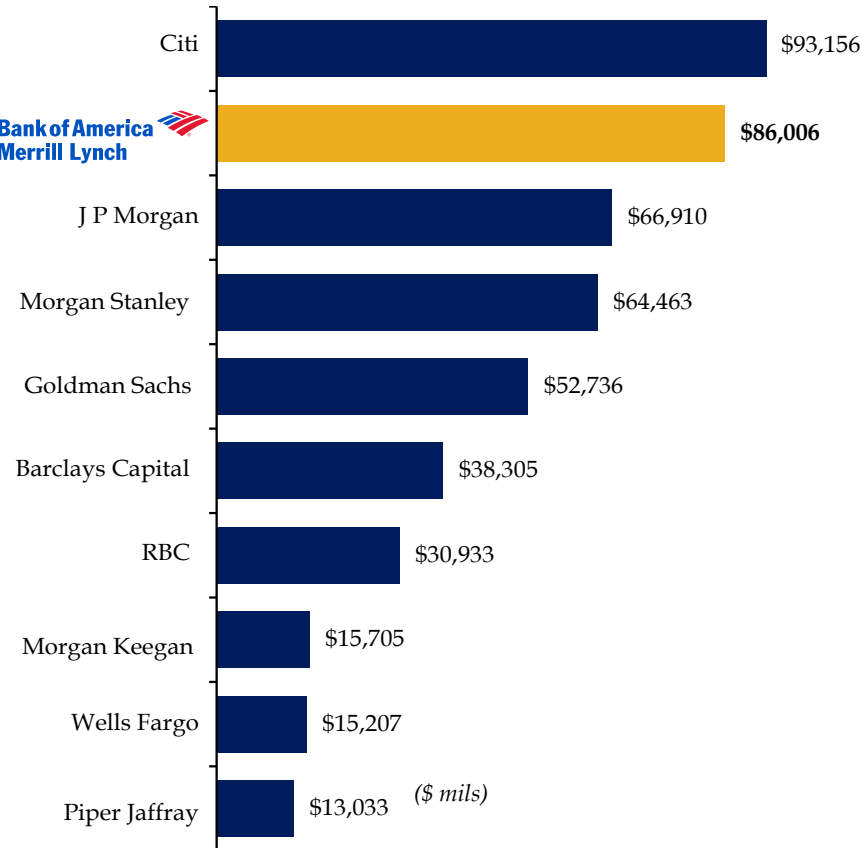
Johnson & Wales University

# Bank of America Merrill Lynch Leadership in Higher Education Sector



**National, Negotiated Transactions:  
Senior Manager Ranking: 9/15/2008 - Date**

**National, Negotiated Transactions: Higher  
Education Senior Manager Ranking: 9/15/2008  
- Date (Number of Issues)**



# Bank of America Merrill Lynch Leadership in Higher Education Sector



## BofA Merrill Lynch Higher Education Group

- 13 dedicated higher education bankers in 6 offices around the country
- Extensive and diverse client base
- Very strong client references
- Demonstrable track record of getting lowest rates for our clients

## Representative Higher Education Clients





# Clark Nexsen: Who Are We



## Bob Gunn – Principal, Higher Education

- Began with the firm in 1968
- Practicing Architect since 1972
- Led development of higher education practice since 1988
- Serves on Academic Advisory Boards at UNC Charlotte and Radford University
- Experience in Master Planning, Science & Technology, Student Centers, Stadiums and Arena, Libraries, Housing, Parking, and Academic Facilities



# Clark Nexsen: Who We Are



Bluefield College  
Christopher Newport University  
Clemson University  
College of William & Mary  
Davidson College  
Duke University  
Elizabeth City State University  
George Mason University  
Hampden-Sydney College  
James Madison University  
Johnson & Wales University - Charlotte  
Lenoir-Rhyne College  
Lynchburg College  
Mary Baldwin College  
NC A & T State University  
NC Central University  
NC State University  
Old Dominion University  
Randolph College  
Sweet Briar College  
University of Miami  
UNC Asheville  
UNC Chapel Hill  
UNC Charlotte  
UNC Wilmington  
USC Aiken  
USC Columbia  
University of Southern Mississippi  
University of Virginia  
Virginia Military Institute  
Virginia State University  
Virginia Tech  
Washington & Lee University  
Washington University in St. Louis  
Western Carolina University  
Winston-Salem State University



# *“What Happened?”*



## Student demographics

- 1997 to 2006:
  - High School Graduates increased 22%
    - Minority graduation rose approximately 49%
  - Total Enrollment increased 22%
    - Undergraduate → 22% increase
    - Graduate → 26% increase
    - Minority enrollment rose approximately 20%
  - Since 2000, developers built 57,000 off-campus beds
    - Additional 23,000 new off-campus beds in 2009

## Impact

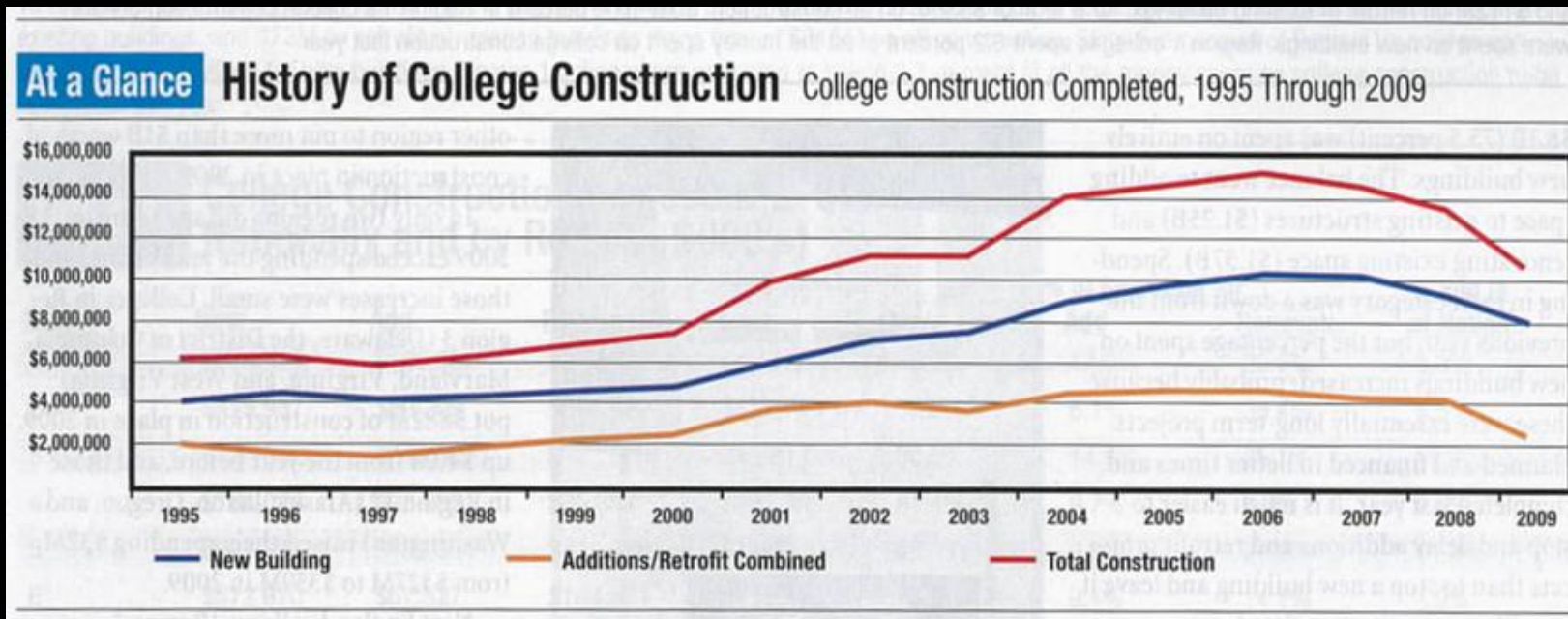
- Strong demand for higher education and K-12 facilities



# “What Happened?”



## Decreasing higher education construction volume

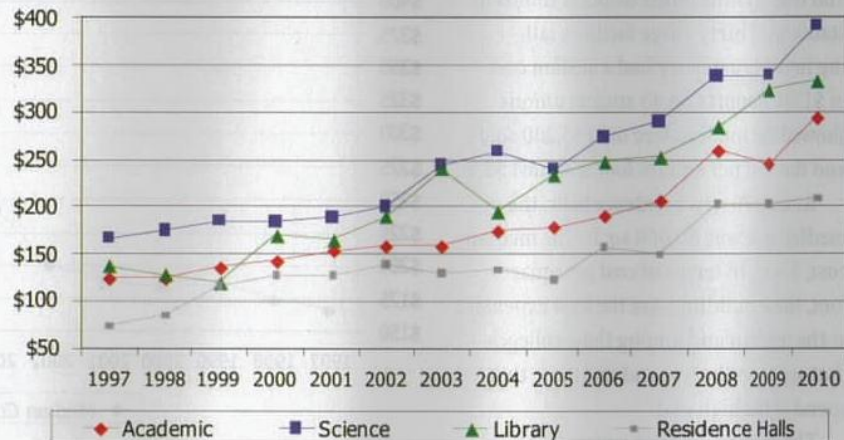


# “What Happened?”

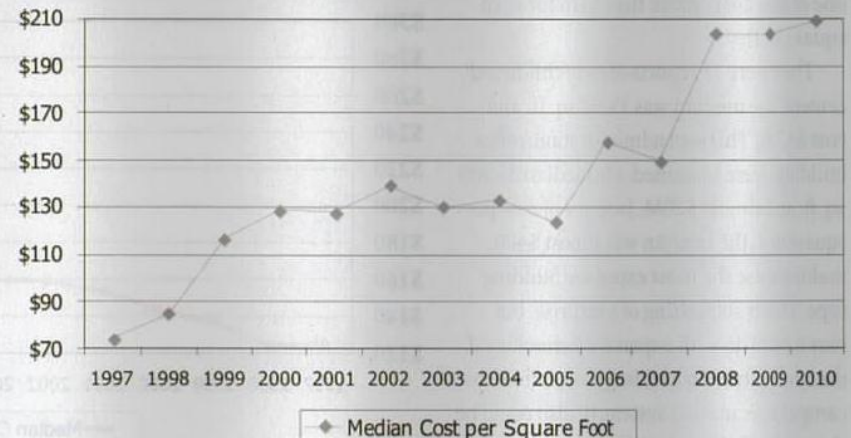


## Cost per SF Remains High

Graph E: Median Cost per Sq. Ft. for College Buildings



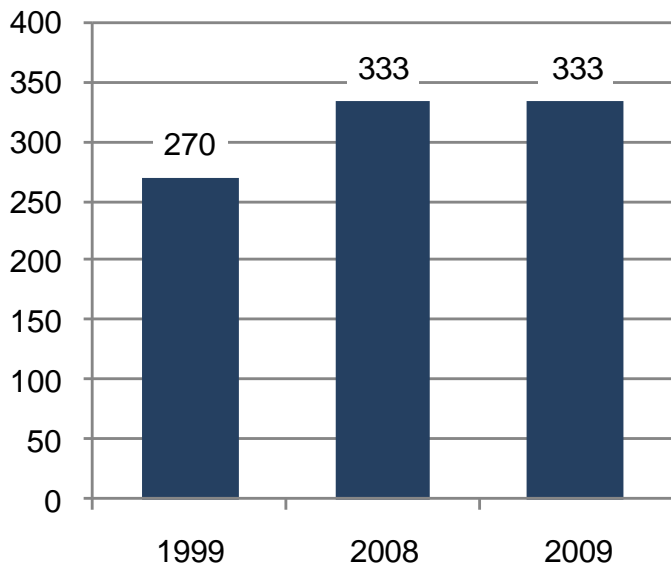
Graph D: Median Cost per Sq. Ft. for Residence Hall Buildings



# “What Happened?”



**Square Foot per Bed**



- Significant Rise in Construction Cost (until recently)
- Additional square feet per bed impact
- Projects much more difficult to pencil

# *“What Happened?”*



## More difficult to access capital

- Reduced state and local funding
- No highly rated bond insurers
- Dislocation of the Auction Rate Market
- Reduced fundraising

## Impact

- Difficulty funding initial feasibility studies
- Viable projects are finding it difficult to obtain capital

# Market Update

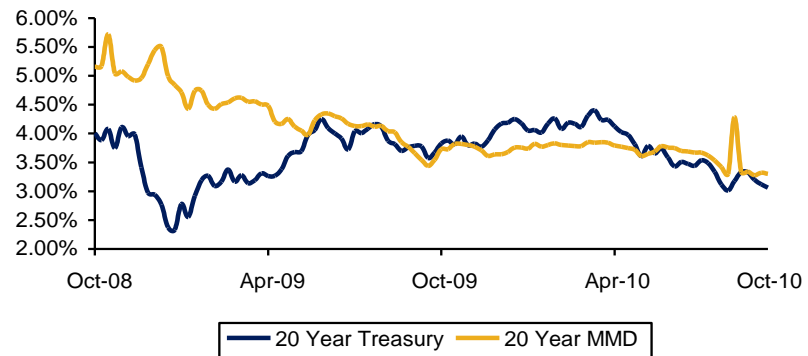
## Municipal Market Update



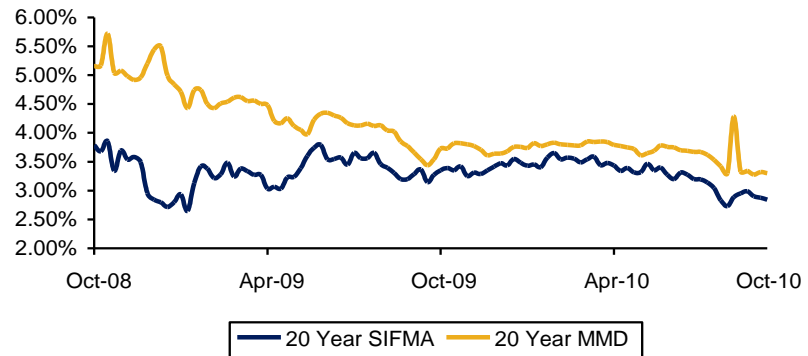
### Commentary <sup>(1)</sup>

- Muni supply fell to \$8.6bn on Friday, lower than the yearly average of \$9.3bn.
- Munis rallied with Treasuries due to poor employment data, increasing the possibility of quantitative easing.
- The 10-year AAA Muni is considered cheap relative to the SIFMA swap.
- The SIFMA Index reset at .25% or 96% of 1-month LIBOR on 10/6/10
- Current RBI <sup>(2)</sup>: 4.58% reset on 10/7/10

### Muni vs. Treasury Relative Yields



### Municipal Bond and Swap Relationship



(1) Source: BAS/Merrill Lynch Research as of October 8, 2010

(2) Source: Bloomberg as of October 8, 2010

# Market Update

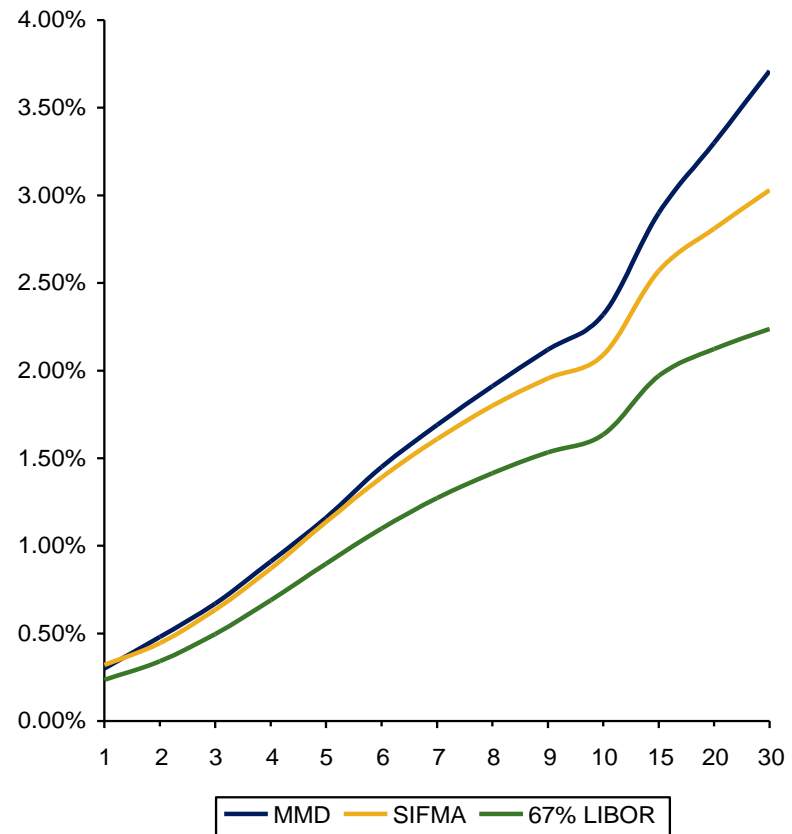
## Swaps Relative to MMD



### Current Yield Curves

	<b>MMD</b>	<b>SIFMA</b>	<b>67% LIBOR</b>
1	0.30%	0.32%	0.23%
2	0.48%	0.45%	0.34%
3	0.67%	0.64%	0.50%
4	0.91%	0.87%	0.69%
5	1.16%	1.14%	0.90%
6	1.45%	1.39%	1.10%
7	1.69%	1.61%	1.27%
8	1.91%	1.80%	1.41%
9	2.12%	1.96%	1.53%
10	2.32%	2.09%	1.63%
15	2.90%	2.57%	1.97%
20	3.30%	2.81%	2.12%
30	3.71%	3.03%	2.24%

### Current Yield Curves



(1) As of 10/12/10

# Bank Market Update

## Fewer banks, but for the time being, lower pricing



**Bank pricing declined through the first three quarters of 2010, continuing a trend that emerged at the end of 2009, however it is unlikely to continue.**

- Tax-exempt money market fund assets declined to \$400 billion at the end of 2009 from a peak of \$528 billion at 8/2008, reducing demand for short-term debt. Money fund assets continue to decline in 2010 and are currently at about \$350 billion.
- Diminished demand has been offset by tepid supply as many issuers have either converted or refunded into fixed rate debt. Issuance of VRDBs was \$42.7 billion in 2009, down from \$125.8 billion in 2008, drastically reducing demand for new letters of credit. In 2010, short term issuance has averaged around 5% of total new issue volume.
- A substantially smaller group of banks have the ratings quality and credit capacity to support VRDBs. In the first three quarters of 2010, 4 banks provided 61% of new letters of credit and liquidity facilities.<sup>(1)</sup>
- Although fewer banks are providing credit enhancement, the ones that remain have been competing for what new short term business there is. Competition on renewals of existing facilities has also increased due to low new issue volume. Consequently, bank pricing has declined, however issuers that are already large users of bank capacity or have very large credit needs for a single transaction continue to pay a premium, since there are in the aggregate, fewer banks participating in the market.
- As banks position public finance as a “core business”, they are most interested in providing credit if other business, such as deposits or treasury, is at stake. Issuers in all sectors must be prepared to manage their spending on financial services to make sure they have adequate credit availability. There are very few remaining “one product shops” offering credit only.
- Relationships matter. Most banks have become much more selective in determining who they provide credit to and most hesitate to establish a new credit-only relationship. Because a core business is generally thought of as one in which there is a multi-product relationship with a client, selectivity is usually based on an existing association with some part of the bank or affiliated broker/dealer.

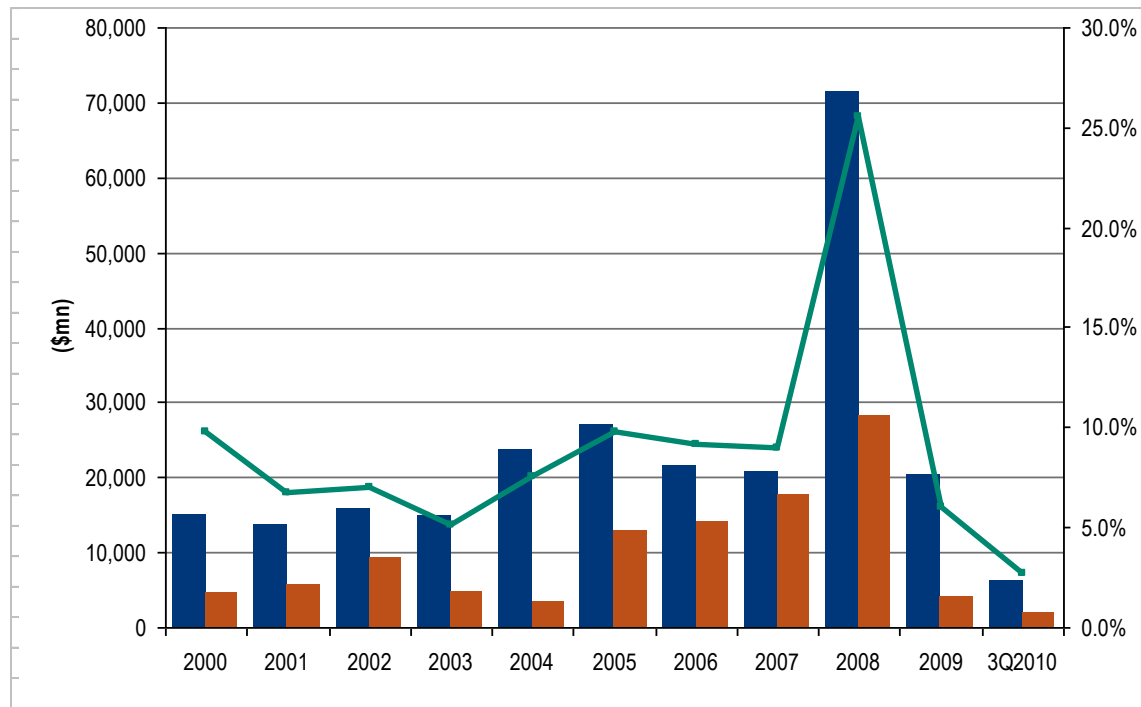
<sup>(1)</sup> Source: Thomson Reuters

# Bank Market Update

Issuance of new credit and liquidity facilities is at 10 year low



## Issuance of LOCs and liquidity facilities during the decade



(1) Source: Bank of America Merrill Lynch Research



# *What is going on now?*



## Future Student Demographics

- 2007 to 2017:
  - High School Graduates → additional 22,000 students (+1%)
  - Total Enrollment → additional 2.1 million students (+12%)
- Other factors:
  - Undergraduates are enrolling for more than 4 years
  - Rise in non-traditionally aged and international student enrollment
  - Rise in 2-year college and graduate school enrollment
  - Community Colleges have expanded their interest

## Impact

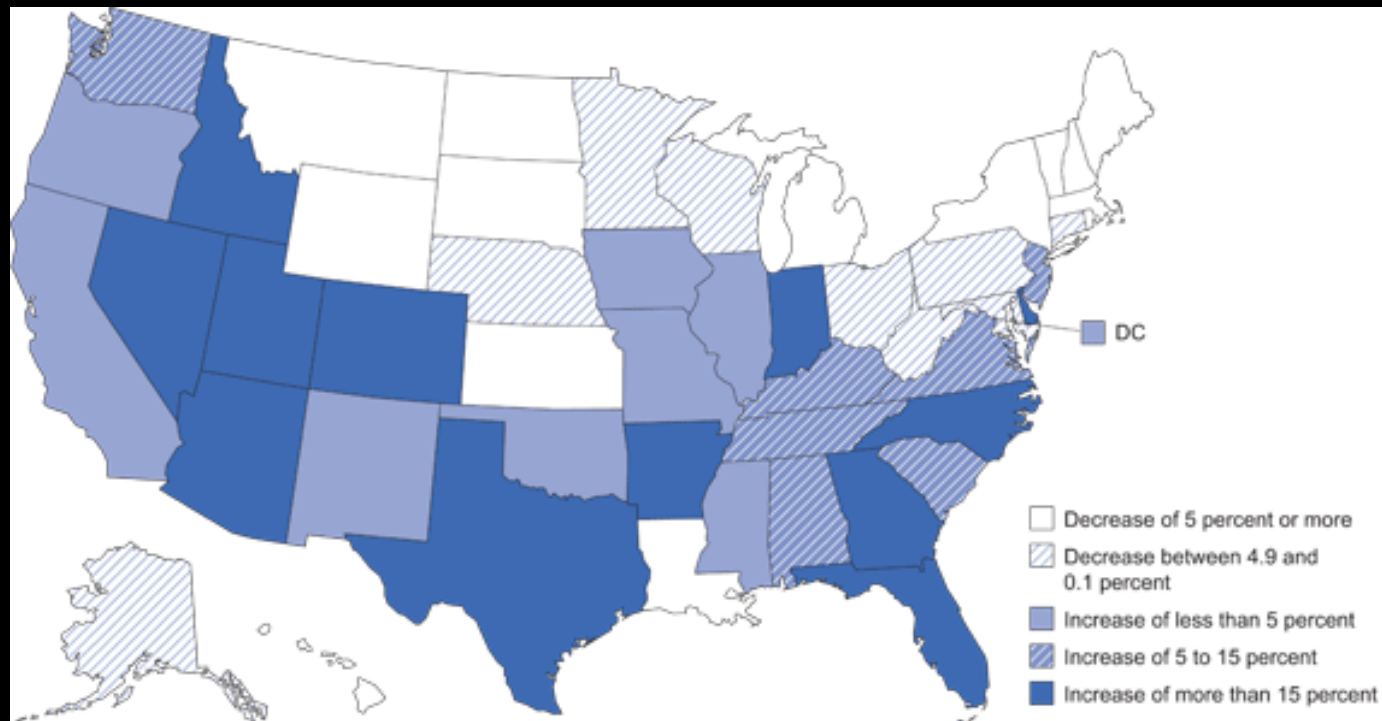
- Demand for higher education and K-12 facilities remains

# What is going on now?



## High School Demographics

Projected percentage change in the number of public high school graduates, by state: 2007–08 through 2017–18 (Source: NCES)



# What is going on now?



## Types of Buildings

**Table 5** Profile of New Buildings Currently Underway

Building Type	Median Size (Sq. Ft.)	Median Cost	Cost per Sq. Ft.			Buildings in Sample
			Low Quartile	Median	High Quartile	
Academic	70,000	\$20,000,000	\$212.05	\$295.00	\$410.08	98
Admin/Office	35,000	\$19,776,000	\$183.16	\$398.91	\$545.06	13
Early Childhood	15,317	\$4,717,942	\$208.33	\$350.00	\$385.89	11
Library	55,000	\$24,000,000	\$227.69	\$333.33	\$456.14	11
Performance	89,000	\$28,330,000	\$269.09	\$351.09	\$416.67	22
Physical Education	43,000	\$13,000,000	\$185.00	\$274.29	\$403.44	33
Residence Halls	80,000	\$14,000,000	\$172.82	\$209.31	\$259.26	70
Science	89,500	\$30,656,500	\$266.15	\$391.65	\$594.43	86
Student Union	85,200	\$31,000,000	\$233.75	\$275.86	\$446.60	43
Technology	52,448	\$11,750,000	\$181.41	\$225.38	\$514.21	16

37%

**To read this table:** The median academic building in this sample of buildings recently completed or currently being constructed will contain 70,000 square feet and will cost \$20M. The median cost will be \$295 per square foot. One quarter of the academic buildings will cost \$212.05 per square foot or less. At the other end of the scale, one out of four academic buildings will cost \$410.08 per square foot or more. This information was gathered from a sample of 98 academic buildings completed in 2009 or currently under construction.

# Bank Market Update

## Student Housing Project Financing has Revived



### Opportunities

- BBB range ratings can be obtained for student housing projects which have had the past several years to mature and demonstrate strong competitive and operational performance. The rating may even support a new project.
  - Low interest rate levels allow a fixed rate BBB bond issues to attain an all-in cost of approximately 6%.
- New, stand alone projects with strong economics and competitive positions designed to serve students of well positioned public universities can now being financed with a structured tax exempt bond issue composed of several series at an all-in cost of approximately 7%.
  - A first lien tranche for 70-80% of the funding needs can be financed with a letter of credit backed VRDO at an all-in cost of approximately 5%.
  - An unsubordinated tranche for 20-30% of the funding need can be sold to institutional investors at approximately 8% .
  - The developer may be required to take a portion of its development fee in the form of a third subordinated tranche thus reducing the funding requirement of the first two tranches.
- Given the extremely low level of interest earnings on construction proceeds, a draw-down structure can be used for VRDO issues to minimize negative arbitrage before proceeds can be spent. Bonds are not “issued” until funds are required for construction.

# *What is going on now?*



## Obama Administration's Education Plan

- Increase access to higher education
  - Pell Grants → increased \$500 to \$5,350
  - Tax Credits → new \$2,500 credit for 4-year college tuition
  - Modernize and Expand the Perkins Loan
    - Giving access to 2.7 million additional students
- Make US higher education #1 in world graduation rate by 2020.
  - Currently ranked 15th in the world
  - Graduate 18 out of every 100 (compared to 26/100)
- Build America Bonds (ARRA 2009)
- Bank-Qualified Debt



# *Second Course*



## **“Cook It Yourself Sampler” at UNC Wilmington**





# OVERALL SITE PLAN



Clark Nexsen

## UNC Wilmington – Housing Strategy



- ***Strategic Plan – 40% of undergraduate students residing on campus, or about 4,200 students***
- ***In 2004 – 23% on campus***
- ***In 2004, there were 2,300 beds – Priority given to 1,950 freshmen***
- ***Apartment Style in Collegiate Atmosphere***
- ***Accommodations for upper class students***
- ***Accomplish housing goals over the next 5 years***



## *Why Use Privatized Financing? UNC Wilmington's Reasons*



- 1. Procurement** - More responsive to immediate needs of University and its Housing & Dining Systems.
- 2. Time** - Design-Bid-Build procurement for state institutions average 4-6 years (2-3 biennia); alternatively financed projects can be significantly shorter – traditional public works process is protracted and cumbersome.
- 3. Alternative Procurement Techniques** - e.g. Design-Build, General Contractor/Construction Manager (GC/CM) or Construction Manager at Risk.
- 4. Participant Diversity** - Access to more diverse design and contracting participants. Contractors accustomed to negotiated work; obviating many of the problems inherent in lump sum, low bid public works.
- 5. Flexibility** – increased design flexibility, often resulting in cost savings while achieving design attributes atypical in public works projects.
- 6. Control** - University generally exercises greater control over project program/design, scheduling, reviews, and permitting.

## *Why Use Privatized Financing? UNC Wilmington's Reasons*



7. **Review Process** - Privatized Projects may avoid some of the State's document reviews and project oversight while maintaining substantive design and construction standards.
8. **Financing Cost** - Cost of money for the projects is generally lower.
9. **Debt Structure** - Debt may be off-balance sheet, non-recourse to the institution, secured only by revenues to project.
10. **Less Risk** - Facilities are not specialty construction, e.g. lab space or hospitals; combined with negotiated fixed price contract, incidence of claims and completion risks are significantly reduced.
11. **Legitimate Capital Procurement Structure** - Provides quality, competitive, on-campus housing alternative for university's undergraduate population.
12. **Facilities Staffing** - For smaller institutions absent large capital planning, design, and construction staffs, projects can be an advantageous means to secure quality housing with little or no additional staff.

## *Public – Private Concept*



- ***Public – UNCW (State) Property Leased to the Corporation***
- ***Private – Formation of UNCW Housing Corporation I and II, LLC (tax exempt Foundation)***
- ***Sale of Revenue Bonds by the LLC***
- ***Apartment Rentals Repay Bonds***
- ***Housing Marketed & Managed By UNCW Housing Office***

## *Features of the Process*



- ***Fast Track Financing***
- ***Capped Financing***
- ***Flexible Procurement Rules***
- ***Competitive but Negotiated Procurement for the A/E and CM at Risk***
- ***Modified AIA Contract Formats for the A/E and CM***
- ***Subject to City and County Permitting***
- ***Formal Review by State Agencies with comments answered*** – *This was the First Privatized Project that was done in this manner in North Carolina.*

## *Project Team*



- ***Underwriter – Bank of America***
- ***Underwriter Counsel – Hunton and Williams,  
Raleigh***
- ***Bond Insurer – Financial Guaranty Insurance Co.,  
New York***
- ***Trustee – Branch Banking and Trust Company,  
Wilson***
- ***Trustee Counsel – Wyrick Robbins Yates & Ponton,  
Raleigh***
- ***Rating Agency – Standard and Poors, New York***
- ***Special Counsel – Parker Poe Adams & Bernstein,  
Charlotte***
- ***Design – Clark Nexsen Architecture & Engineering,  
Charlotte and Raleigh***
- ***CM at Risk – Weaver Cooke Construction,  
Greensboro***



UNCW  
Housing  
Corporation

Finance Team

Design Team  
Clark Nexsen

*Privatized Housing  
Team*

UNCW  
Student Affairs  
and Residence Life

Construction  
Manager  
Weaver Cooke

UNCW  
Facilities Planning  
and Engineering

State Construction Office  
Department of Insurance

New Hanover County/  
NCDENR

Council of State

# Typical Floor Plans



First Floor Plan



Three Bedroom Apartment



Four Bedroom Apartment



## *Project Scope – Seahawk Village*



- ***Six Apartment Buildings***
- ***Two, Three, and Four Bedroom Units***
- ***148 Apartments – 524 Beds***
- ***Clubhouse***
- ***Swimming Pool***
- ***Dedicated Parking for 90% of the Residents***





## Features of the Project



- ***Rent – All-Inclusive of Utilities, Internet***
- ***Private 10' x 12' Bedrooms – Full Size Beds***
- ***One Full Bathroom for Each Two Students***
- ***Fully Furnished, Including Full Kitchens***
- ***Washer and Dryer in Each Apartment***
- ***Individual Unit Heat Pumps***



## *Features of the Project*



- ***Wireless Internet Service***
- ***Cable TV and Local Phone Service***
- ***Clubhouse with Swimming Pool***
- ***Ample Parking – 472 Spaces***
- ***Average Rent - \$480/mo/Student/12-Month Lease***
- ***Meal Plan Optional***



*Interior Images*



*Clubhouse Exterior Images*





# *Clubhouse Interior Images*



# SEAHAWK LANDING Overview





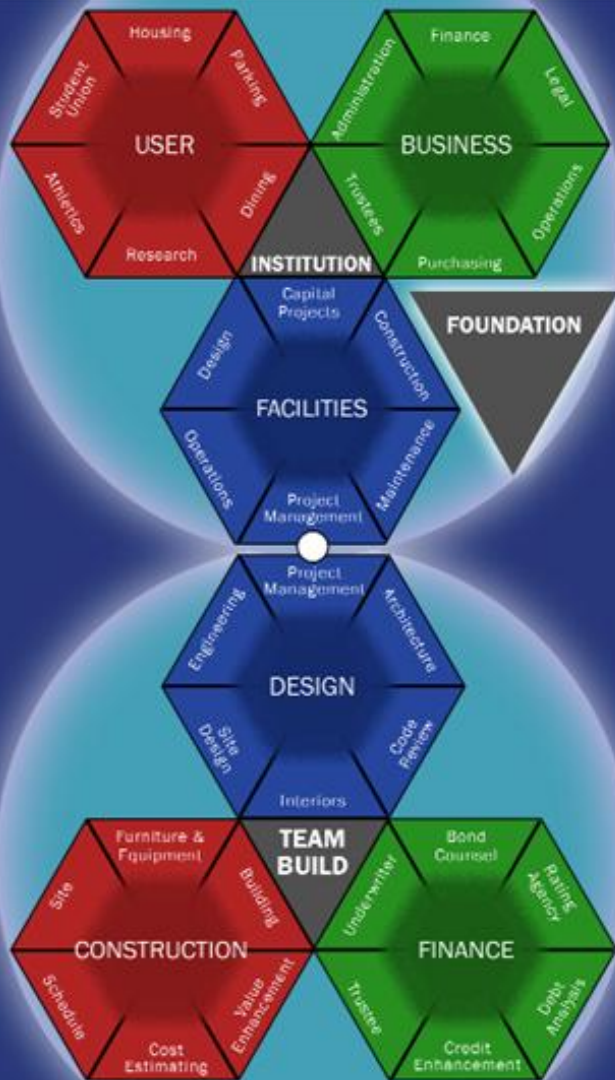
*Seahawk Landing  
The Piazza with Pool*



# Seahawk Landing Interior Amenities



# The Wilmington Approach – How to Employ It on Your Campus



A Professional Comprehensive Approach to Project Delivery Without Involving a Developer

- Design
- Construction
- Finance
- Project Management

## *Third Course – A “Master Chef” at Other Universities*



### **Commonalities**

- Replacing or overhauling '60s buildings
- Restoring/upgrading earlier buildings
- Adding new swing space and additional beds

### **Differences**

- Program
- Construction System
- Construction Delivery
- Financing



# General Obligation Bond Financing



Elizabeth City State  
University  
University Suites



**\$5,500,000**

**57,086 sf**

**30 Months**

**CM at Risk**

**200 Beds**

**Wood Frame**

**\$27,500/bed**

**\$96/sf**

**2000 State Bond**

**Suites**



# General Obligation Bond Financing



North Carolina A&T  
State University  
Aggie Village



**\$28,400,000**

**273,285 sf**

**50 Months**

**CM at Risk**

**840 Beds**

**Wood Frame**

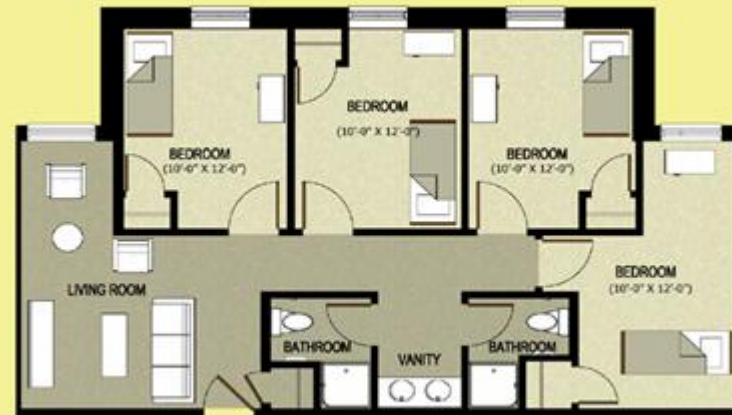
**\$33,809/bed**

**\$104/sf**

**2000 State Bond**

**Suites**

*\* In Association with Sasaki Associates*





# General Obligation Bond Financing



Virginia Military Institute  
Barracks and Cadet Commons



**\$39,000,000**

**251,165 sf**

**48 Months**

**CM at Risk**

**391 Beds**

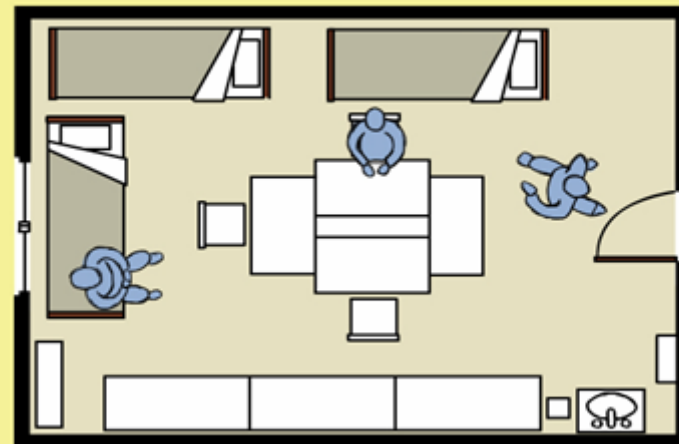
**Concrete Frame**

**\$99,750/bed**

**\$155/sf**

**State Legislature**

**Barracks  
(inc. dining hall)**



# Revenue Bond Financing



College of William & Mary  
Jamestown North & South



**\$21,500,000**

**133,392 sf**

**30 Months**

**CM at Risk**

**388 Beds**

**Steel Frame**

**\$55,412/bed**

**\$161/sf**

**Revenue Bonds**

**Suites**

★ *In Association with Sasaki Associates*



# Revenue Bond Financing



University of North Carolina  
Chapel Hill  
Ram Village



**\$69,000,000**

**Steel Frame**

**433,566 sf**

**\$75,100/bed**

**July 2006**

**\$159/sf**

**CM at Risk**

**Revenue Bonds**

**919 Beds**

**Apartments**

*★ In Association with Sasaki Associates*





# Revenue Bond Financing



**Old Dominion University**  
Quad Residence Halls



**\$21,000,000**

**Steel Frame**

**136,000 sf**

**\$51,470/bed**

**32 Months**

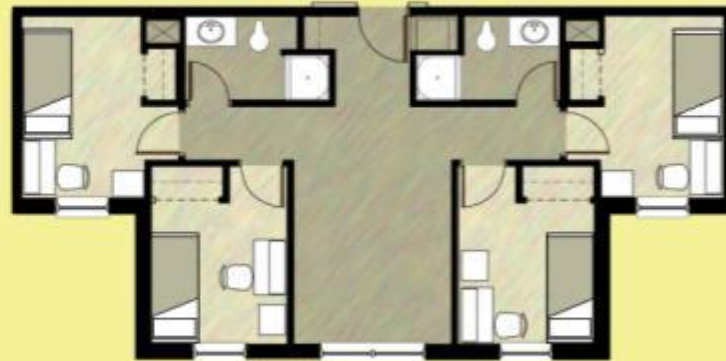
**\$154/sf**

**Design-Build**

**Revenue Bonds**

**408 Beds**

**Suites**



# Revenue Bond Financing



University of South Carolina Aiken  
Freshman Residence Hall



\$14,235,000

Steel Frame

90,000 sf

\$47,450/bed

18 Months

\$158/sf

Design-Build

Revenue Bonds

300 Beds

Suites



# General Obligation Bonds



North Carolina  
Central University  
Annie Day Shepard Renovations



<b>\$6,281,572</b>	<b>Concrete Frame</b>
<b>51,886 sf</b>	<b>\$40,789/bed</b>
<b>31 Months</b>	<b>\$121/sf</b>
<b>General Contractor</b>	<b>State Bonds</b>
<b>154 Beds</b>	<b>Double Suites</b>







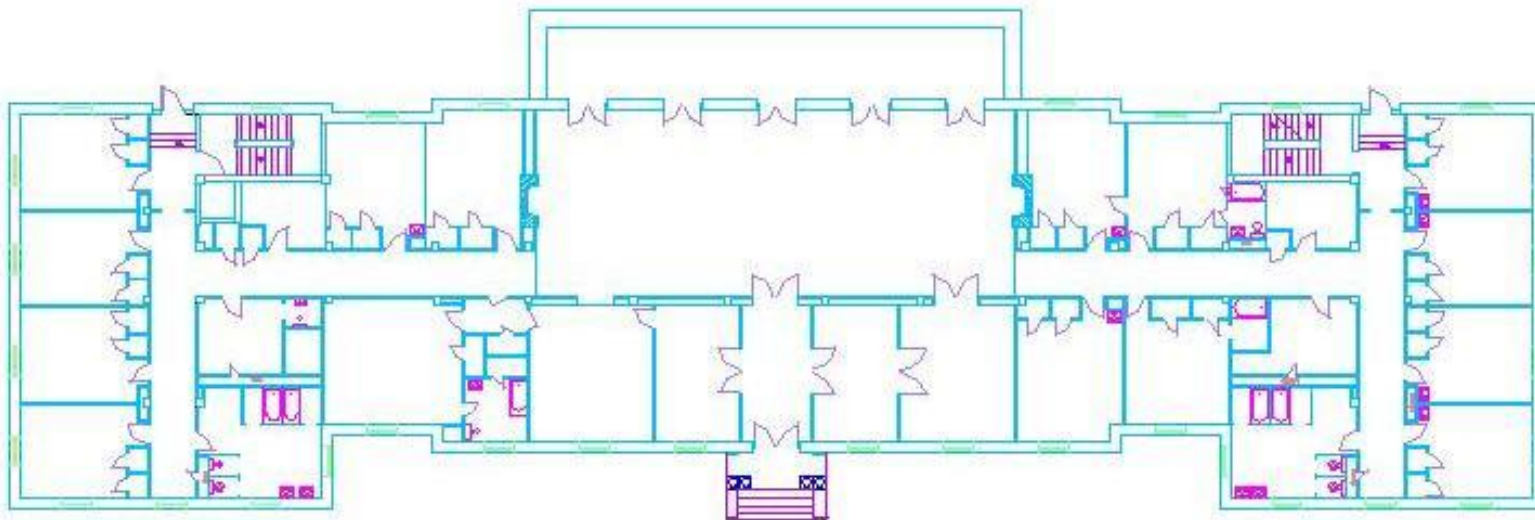
# Revenue Bonds



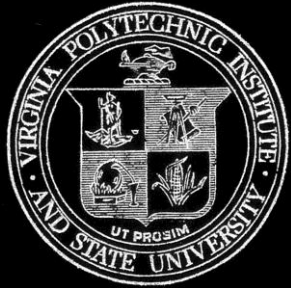
University of North Carolina Chapel Hill  
McIver, Alderman, Kenan Renovations



<b>\$8,313,338</b>	<b>Steel Frame</b>
<b>84,270 sf</b>	<b>\$25,423/bed</b>
<b>29 Months</b>	<b>\$99/sf</b>
<b>General Contractor</b>	<b>Revenue Bonds</b>
<b>327 Beds</b>	<b>Double Traditional</b>



# Revenue Bonds



Virginia Tech

Ambler Johnston Renovations



**\$50,000,000**

**272,019 sf**

**72 Months**

**CM at Risk**

**1,280 Beds**

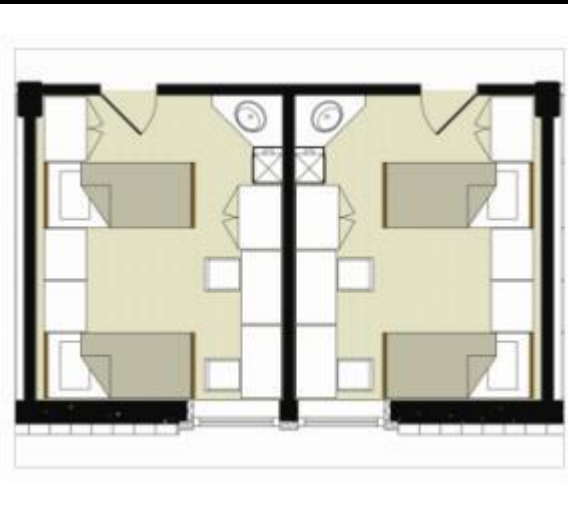
**Concrete Frame**

**\$39,063/bed**

**\$184/sf**

**Revenue Bonds**

**Double Traditional**





# Privatized Financing with a Developer



George Mason  
University  
Potomac Heights



**\$22,000,000**

**Post-tensioned  
Concrete**

**183,000 sf**

**\$43,650/bed**

**28 months**

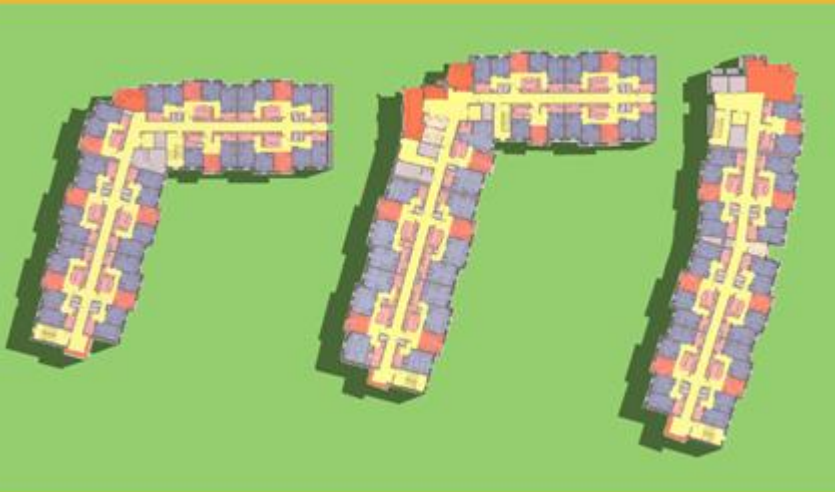
**\$120/sf**

**Design/Bid/Build Privatized Financing**

**504 Beds**

**Apartments**

*\* In Association with Sasaki Associates*



# Privatized Financing with a Developer



**\$24,000,000**

**410,243 sf**

**22 Months**

**Design-Build**

**400 Beds**

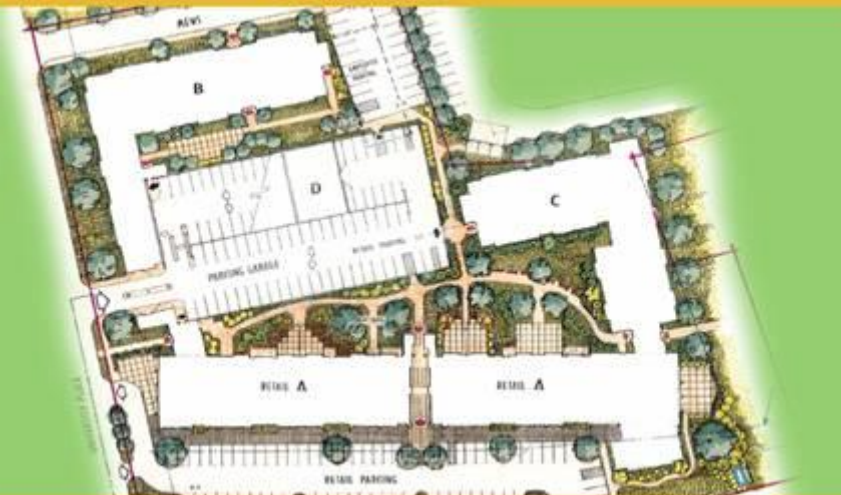
**Wood Frame**

**\$60,000/bed**

**\$59/sf (w/parking)**

**Privatized Financing**

**Apartments**



# Privatized Financing without a Developer



North Carolina A&T  
State University  
Pride Hall



**\$9,000,000**

**Wood Frame**

**117,000 sf**

**\$20,500/bed**

**10 Months**

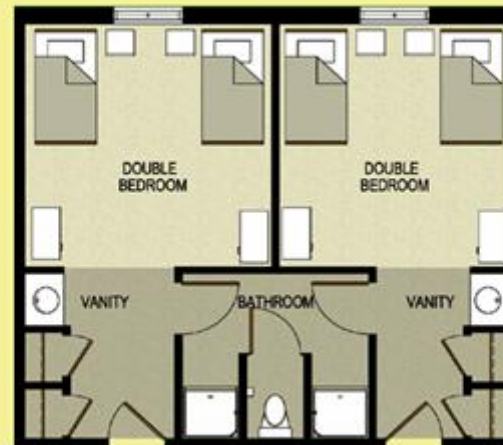
**\$77/sf**

**Design-Build**

**Privatized Financing**

**439 Beds**

**Suites**





# Privatized Financing without a Developer



Winston-Salem  
State University  
Foundation Heights



**\$17,000,000**

**113,343 sf**

**13 Months**

**CM at Risk**

**312 Beds**

**Wood Frame**

**\$54,487/bed**

**\$149/sf**

**Privatized Financing**

**Apartments**



# Privatized Financing without a Developer



Western Carolina  
University  
Central Quad  
Residence Halls



**\$44,700,000**

**220,000 sf**

**37 Months**

**CM at Risk**

**830 Beds**

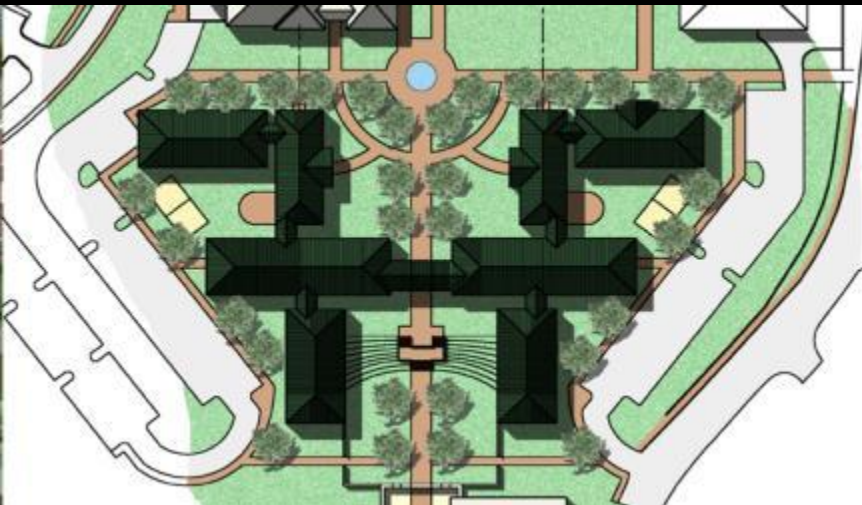
**Steel Frame**

**\$53,855/bed**

**\$203/sf**

**Privatized Financing**

**Suites**





# Privatized Financing without a Developer



University of North  
Carolina Wilmington  
Seahawk Village



**\$27,000,000**

**207,000 sf**

**22 Months**

**CM at Risk**

**524 Beds**

**Wood Frame**

**\$47,100/bed**

**\$130/sf**

**Privatized Financing**

**Apartments  
(includes pool)**



# Privatized Financing without a Developer



University of North  
Carolina Wilmington  
Seahawk Landing



**\$34,000,000**

**265,000 sf**

**18 Months**

**CM at Risk**

**609 Beds**

**Wood Frame**

**\$64,885/bed**

**\$128/sf**

**Privatized Financing**

**Apartments**



# Privatized Financing without a Developer



University of North  
Carolina Wilmington

Seahawk Crossing



<b>\$38,000,000</b>	<b>Wood Frame</b>
<b>256,536 sf</b>	<b>\$57,402/bed</b>
<b>16 Months</b>	<b>\$148/sf</b>
<b>CM at Risk</b>	<b>Privatized Financing</b>
<b>662 Beds</b>	<b>Suites</b>





# *Public-Private Partnership*



## Buildings 1-7, University of Maryland College Park

- 7 phases 2001-2010
- Budget:  
\$143,760,000
- Size: 2,192 Beds
- Composite Concrete  
and Steel Structure
- Financing: Tax  
Exempt Bonds
- Management:  
Capstone-Facilities  
UMD- Res Life



# *Public-Private Partnership*



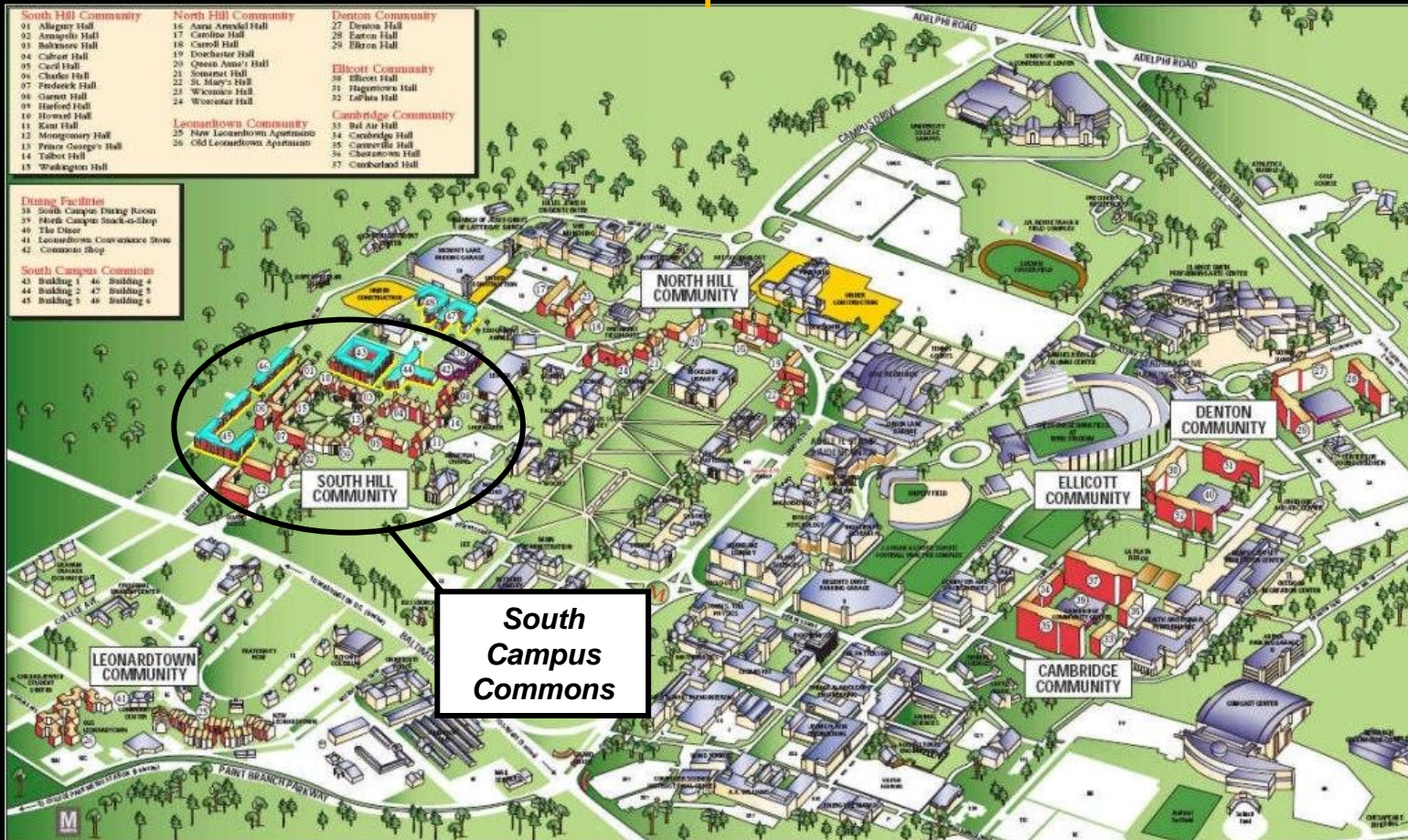
Courtesy of Capstone Development Corporation



# Public-Private Partnership



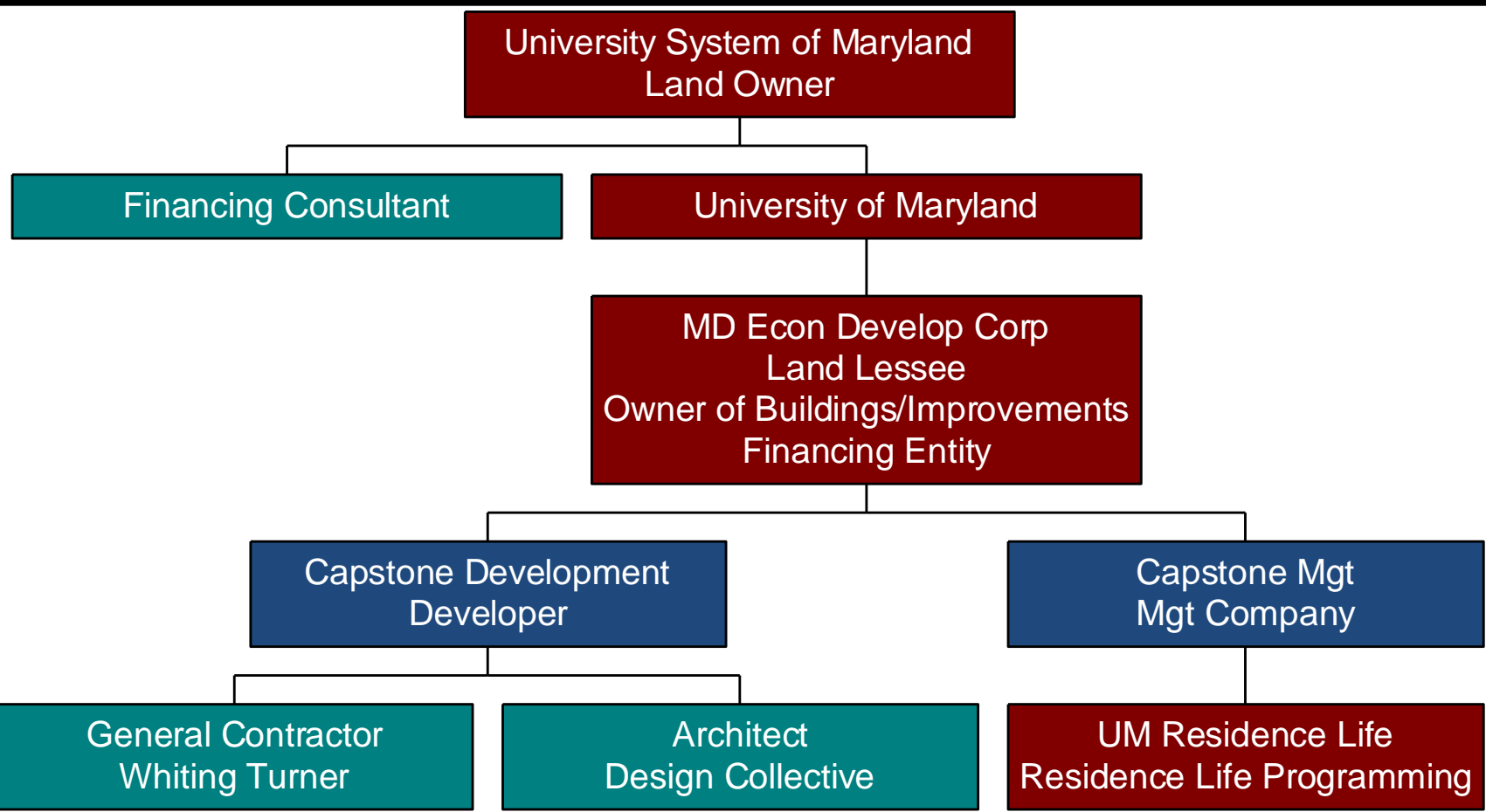
## University of Maryland College Park – South Campus Commons



# Public-Private Partnership



## University of Maryland – Development Structure





# *Public-Private Partnership*



## University #2

### Background & Analysis

- Multiple campuses
- 13,500 students
- Institution is not rated
  - Increased cost of capital
- Analysis shows that consolidating campuses would provide major savings (approx. \$5M annually)
  - Would need to replace lost assets on consolidated campus (housing, recreation, support services)

# *Public-Private Partnership*

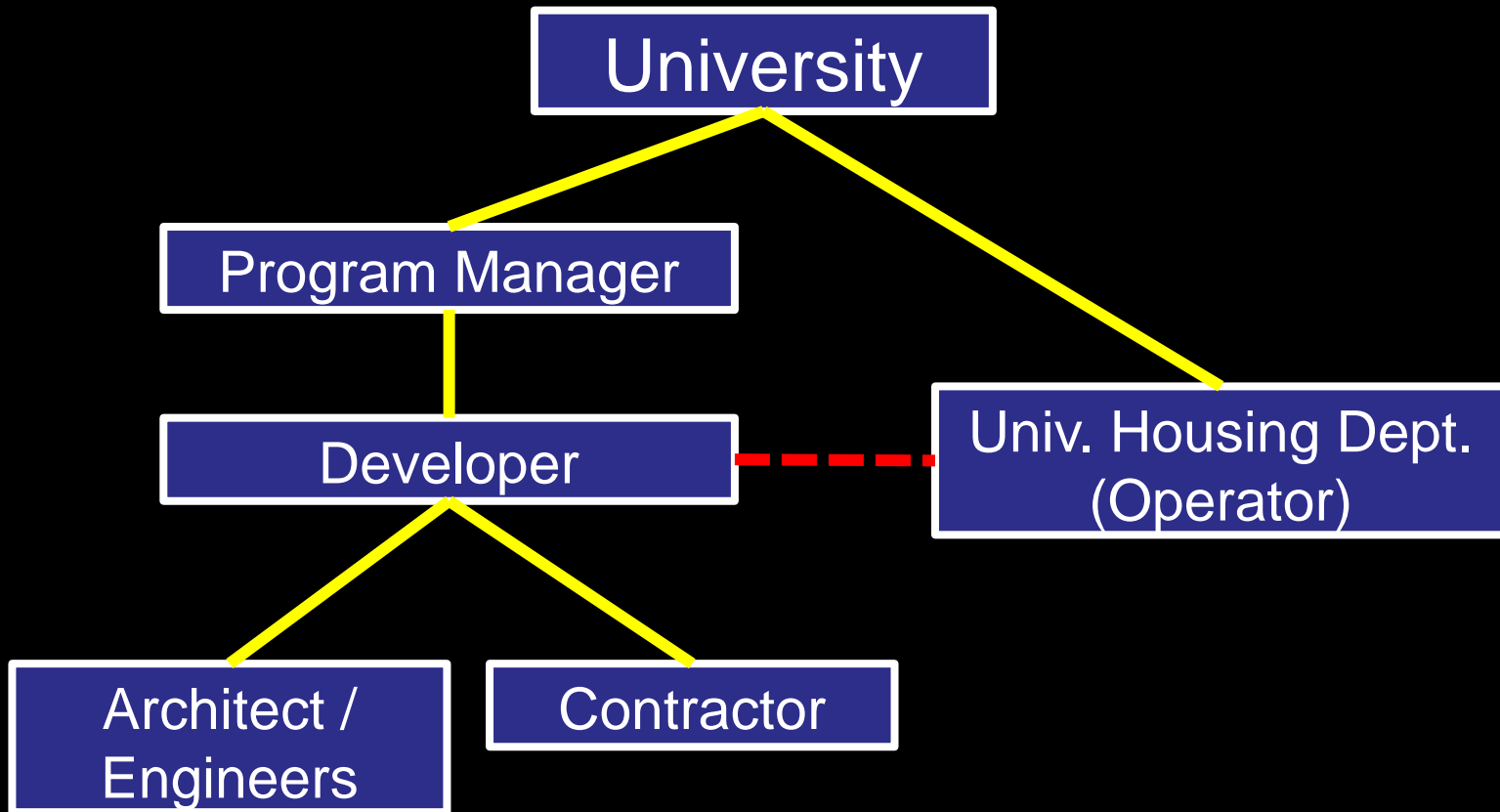


## University #2

### Considerations

- Housing as its own PPP?
  - Existing housing is profitable
  - Mix of revenue and non-revenue space
- Bundle housing with other assets?
  - Only if full package achieves acceptable DCR
  - Single ground lease
- Town-Gown Relationship Strained
  - Stringent approvals process
  - University's separation from process beneficial
  - Decreases initial financial risk (design, etc.)

## Development Structure

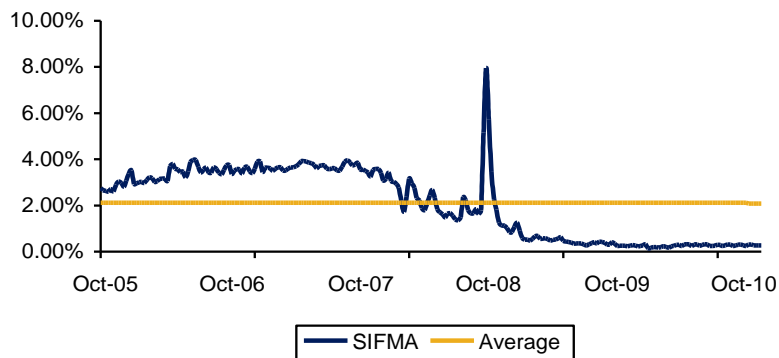


# Market Update

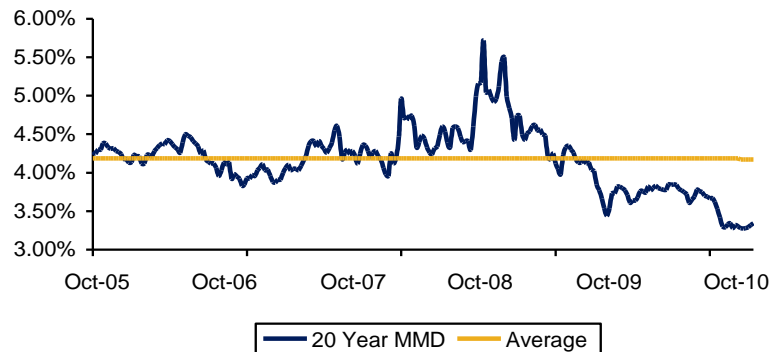
## Overview



### SIFMA Weekly Variable Rate



### MMD Fixed Rates



### SIFMA/LIBOR Ratios



### LIBOR Yield Curve



(1) Rates as of 10/8/2010



# Market Update

## General Market Update and Rate Forecast



### Commentary <sup>(1)</sup>

- Support is forming for additional quantitative easing and a compromise may be reached for the December FOMC meeting.
- Personal income increased 0.5% in August as compensation increased 0.3%. The employed labor force is earning more per hour and working longer hours.
- Consumer spending increased 0.4%, partially due to higher prices, with real consumer spending increasing by 0.2%.
- Construction spending increased 0.4% in August due to increased public spending on highway construction, showing the effects of stimulus funding.
- Initial jobless claims fell to 445K for the week ending October 2<sup>nd</sup> from 456K the prior week.
- Pending home sales increased 4.3% in August, after increasing 4.5% in July. Levels are down approximately 20% from August last year.
- Current Fed Funds: 0.00%-0.25%
- Current 10-Year UST: 2.34% (10/8/10 close)

Metric	Current	2010Q4	2011Q1	2011Q2	2011Q3
Fed Funds	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0.0-0.25%
3-Month LIBOR	0.29%	0.30%	0.30%	0.30%	0.30%
2YR T-Note	0.34%	0.30%	0.35%	0.40%	0.50%
5YR T-Note	1.10%	0.80%	1.00%	1.10%	1.15%
10YR T-Note	2.34%	2.00%	2.25%	2.40%	2.75%
30YR T-Bond	3.75%	3.40%	3.50%	3.60%	3.75%

### Economists' Federal Funds Forecasts <sup>(2)</sup>

Bank	2010Q4	2011Q1	2011Q2	2011Q3
Bank of America				
Merrill Lynch	0-0.25%	0-0.25%	0-0.25%	0-0.25%
Barclays Capital	0.25%	0.25%	0.25%	0.25%
Deutsche Bank	0.20%	0.20%	0.20%	0.50%
JP Morgan Chase	0.25%	0.25%	0.25%	0.25%
<b>Median</b>	<b>0.23%</b>	<b>0.23%</b>	<b>0.23%</b>	<b>0.25%</b>

### Economists' 10-Year Treasury Forecast <sup>(2)</sup>

Bank	2010Q4	2011Q1	2011Q2	2011Q3
Bank of America				
Merrill Lynch	2.25%	1.75%	2.00%	2.40%
Barclays Capital	2.40%	2.50%	2.60%	2.90%
Deutsche Bank	2.00%	2.00%	2.50%	2.75%
JP Morgan Chase	2.50%	2.50%	2.50%	2.50%
<b>Median</b>	<b>2.33%</b>	<b>2.25%</b>	<b>2.50%</b>	<b>2.63%</b>

(1) Source: BAS/Merrill Lynch Research as of October 8, 2010.

(2) Source: Bloomberg Economic Survey as of October 8, 2010.

# Market Update

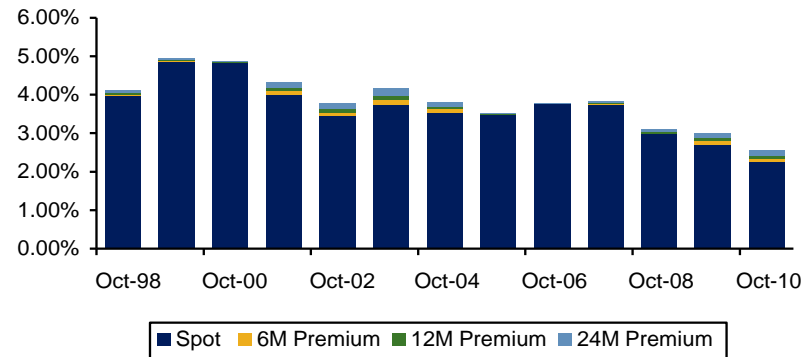
## Current and Historical Hedge Pricing – 20 Year Structures



### 67% of LIBOR Forward Swap Pricing

Forward Period	Spot Rate	Forward Premium	Hedge Rate
1-Month	2.26%	0.01%	2.27%
6-Month	2.26%	0.07%	2.33%
1-Year	2.26%	0.15%	2.41%
2-Year	2.26%	0.29%	2.55%
3-Year	2.26%	0.42%	2.68%
5-Year	2.26%	0.58%	2.84%
10-Year	2.26%	0.64%	2.90%

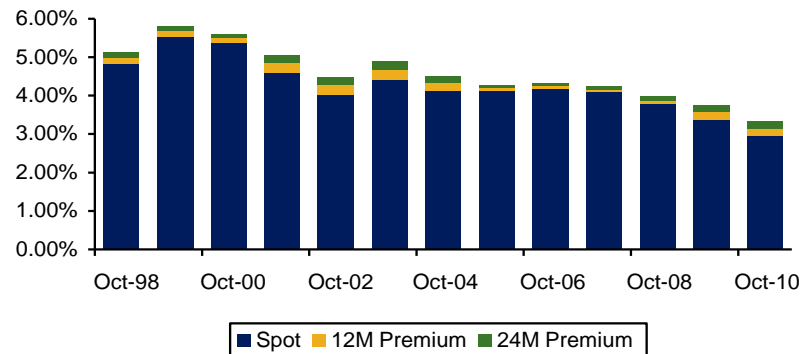
### 67% of LIBOR Forwards - Historical Pricing (1)



### SIFMA Swap

Forward Period	Spot Rate	Forward Premium	Hedge Rate
1-Month	2.94%	0.03%	2.97%
6-Month	2.94%	0.12%	3.06%
1-Year	2.94%	0.20%	3.15%
2-Year	2.94%	0.40%	3.35%
3-Year	2.94%	0.58%	3.52%
5-Year	2.94%	0.83%	3.77%
10-Year	2.94%	1.06%	4.00%

### SIFMA Forwards - Historical Pricing (2)



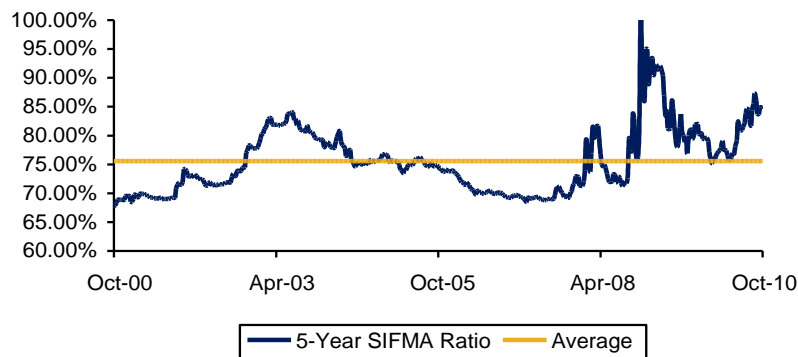
(1) 12-month and 24-month forward premiums are incremental to the 6-month forward premium.  
 (2) 24-month forward premium is incremental to the 12-month forward premium.

# Market Update

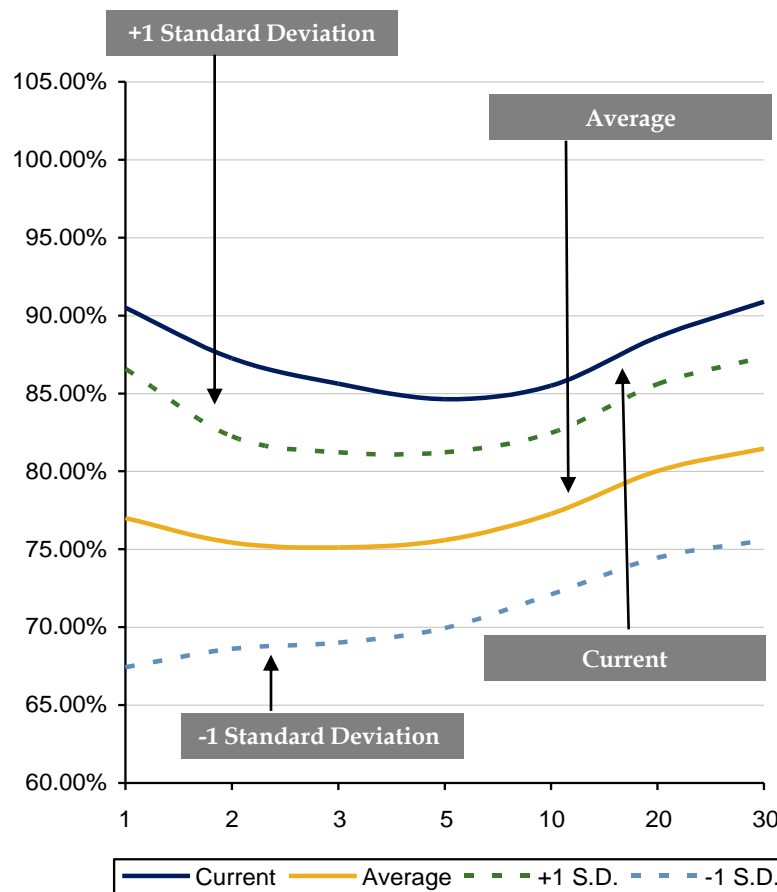
The SIFMA Ratio Curve is the Market's Value of Tax-Exemption



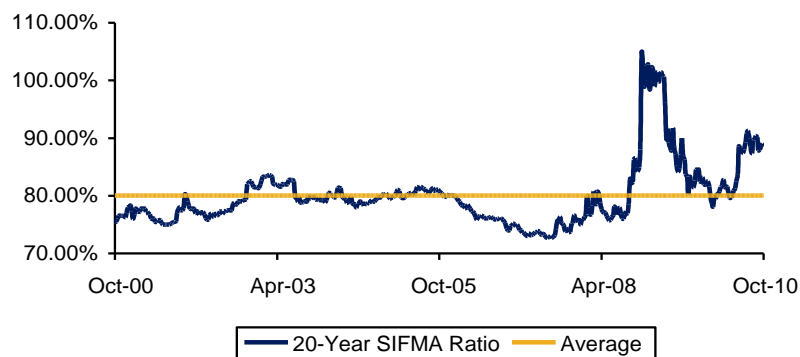
## 5-Year Historical SIFMA/LIBOR Ratios



## SIFMA Ratio Curve <sup>(1)</sup>



## 20-Year Historical SIFMA/LIBOR Ratios



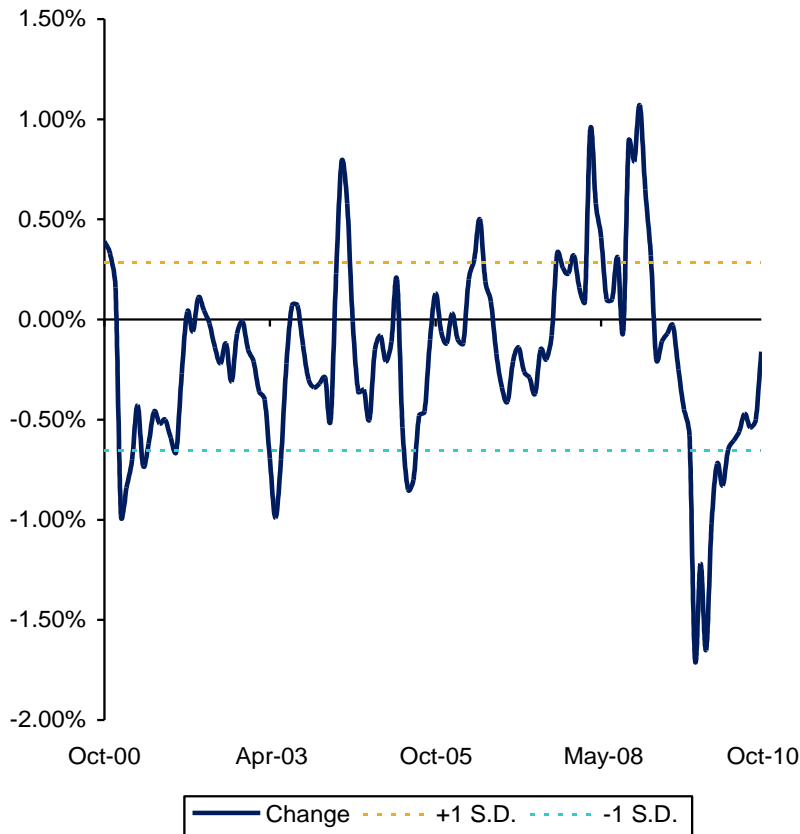
(1) Rates as of 10/8/2010.

# Market Update

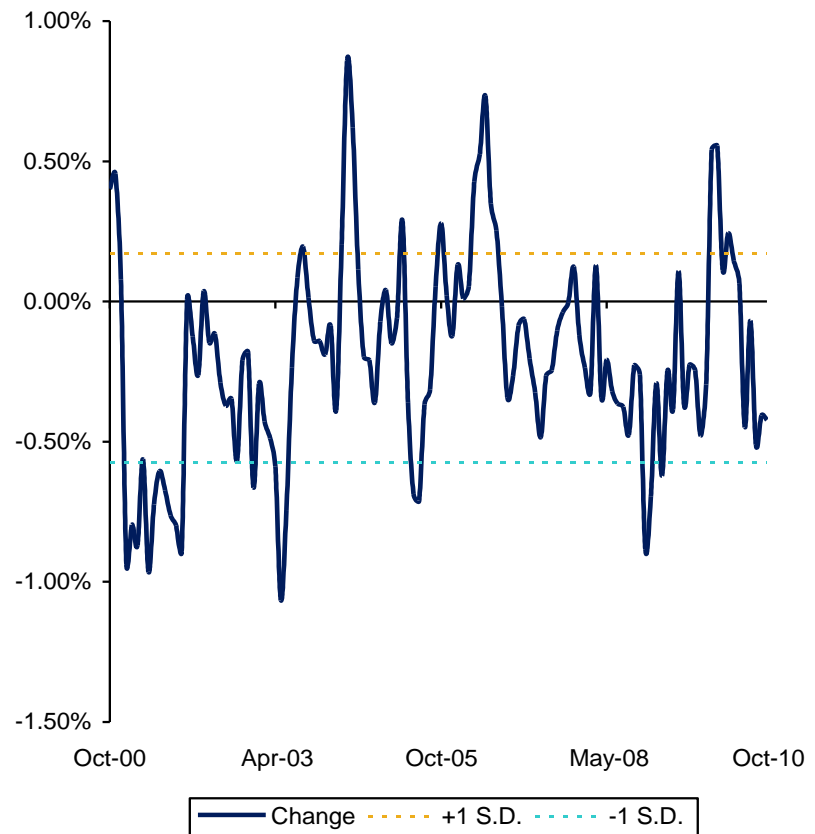
## Bond and Swap Rates Can Change Considerably Prior to Issuance



### 12-Month Changes in 20 Year MMD



### 12-Month Changes in 20 Year SIFMA



(1) Rates as of 10/8/2010.



# Market Update

## Municipal New Issue Credit Enhancement Providers



### A Handful of Banks are Providing the Majority of Credit Enhancement

#### Credit Enhancers of Municipal New Issues (LOCs & Standby Purchase Agreements)

2009

Credit Enhancer Full to Each Manager	Principal Amount	Rank	Mkt. Share	Number of Issues
J P Morgan Chase	4,424.7	1	16.3	68
Bank of America Merrill Lynch	3,201.1	2	11.8	72
US Bank	3,139.0	3	11.6	73
Wells Fargo Bank	2,966.6	4	10.9	66
Royal Bank of Canada	1,706.9	5	6.3	5
SunTrust Bank	1,120.5	6	4.1	17
Branch Banking & Trust Co	1,107.3	7	4.1	38
TD Bank NA	690.8	8	2.5	22
PNC Bank NA	515.0	9	1.9	17
RBS Citizens NA	443.6	10	1.6	7
Landesbank Hessen-Thuringen	386.2	11	1.4	3
Citibank	365.5	12	1.4	4
Harris NA	359.6	13	1.3	12
The Bank of New York Mellon	348.1	14	1.3	9
Northern Trust Company	331.2	15	1.2	10
KBC Bank	329.8	16	1.2	5
Bank of Nova Scotia	305.4	17	1.1	7
Barclays Bank PLC	283.0	18	1.0	3
County Treasurer	246.8	19	.9	5
Sumitomo Mitsui Banking Corp	234.3	20	.9	4
Union Bank NA	211.0	21	.8	5
Fed Home Loan Bk of Des Moines	202.5	22	.8	5
Landesbank Baden-Wuerttemberg	163.2	23	.6	1
Deutsche Bank	131.3	24	.5	10
Bank of Montreal Trust	126.1	25	.5	4
Industry Total	27,144.6	-	100.0	523

3Q 2010

Credit Enhancer Full to Each Manager	Principal Amount	Rank	Mkt. Share	Number of Issues
J P Morgan Chase	2,062.5	1	25.5	29
Bank of America Merrill Lynch	1,581.7	2	19.6	23
Royal Bank of Canada	774.0	3	9.6	1
Barclays Bank PLC	545.7	4	6.7	4
Wells Fargo Bank	338.0	5	4.2	13
PNC Bank NA	289.4	6	3.6	9
TD Bank NA	223.6	7	2.8	4
Citibank	217.3	8	2.7	4
US Bank	207.1	9	2.6	6
RBS Citizens NA	193.1	10	2.4	2
SunTrust Bank	185.0	11	2.3	2
Svenska Handelsbanken	161.0	12	2.0	2
Deutsche Bank	129.6	13	1.6	3
Manufacturers & Traders Tr Co	115.4	14	1.4	2
Landesbank Baden-Wuerttemberg	102.9	15	1.3	1
Bank of Nova Scotia	100.0	16	1.2	1
Union Bank NA	92.1	17	1.1	3
Lloyds TSB Group plc	75.0	18	.9	1
CoBank ACB	66.0	19	.8	4
Regions Bank	56.4	20	.7	2
Harris NA	48.8	21	.6	4
The Bank of New York Mellon	48.5	22	.6	2
HSBC Bank USA	47.6	23	.6	4
Bank of Tokyo-Mitsubishi UFJ	40.0	24	.5	1
Branch Banking & Trust Co	39.1	25	.5	3
Industry Total	8,090.6	-	100.0	153

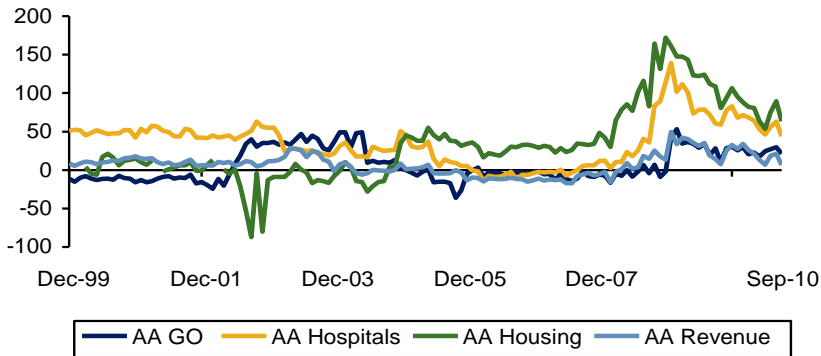
(1) Source: Thompson Municipal Data; 9/30/2010; Investors of new municipal LOC's and Standby Purchase Agreements. Full credit to each manager.

# Bank Market Update

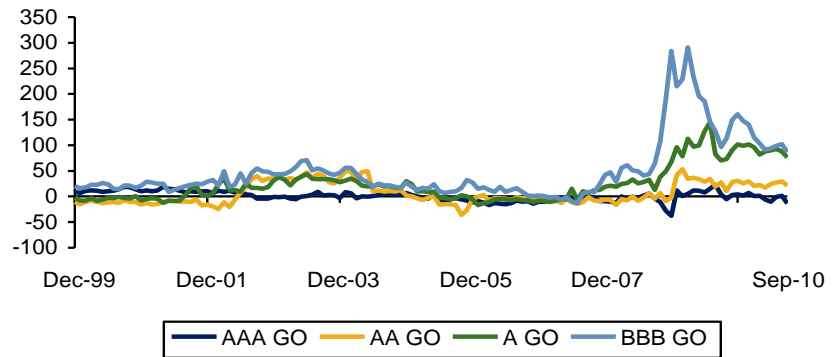
L/T credit spreads have declined towards historical norms



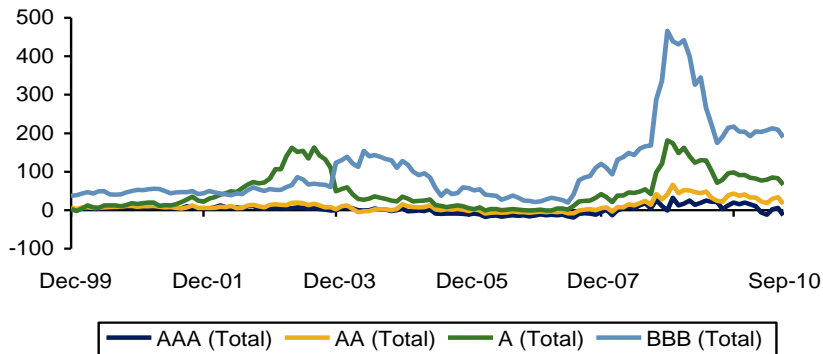
### AA OAS by Sector



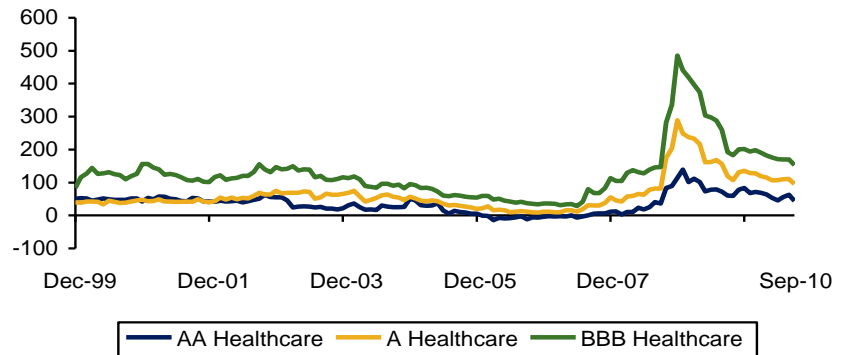
### GO OAS by Rating



### All Sectors by Rating



### Healthcare OAS by Rating



(1) Source: BAS/Merrill Lynch Research.

*Thank you!*



**Brad Reid** – *Director of Housing, University of North Carolina Wilmington*

**Brad Noyes** – *Vice President, Brailsford & Dunlavey*

**Brent Jeffcoat** – *Partner and Bond Attorney, McGuire Woods*

**Ken Leonczyk** – *Managing Dir., Public Finance, Bank of America Merrill Lynch*

**Bob Gunn** – *Principal, Clark Nexsen, Architecture & Engineering*