

IEDC

Partnering to Meet University and Community Real Estate Needs Presented by:

Tim Reed- Mayor, Brookings, SD Greg Wachalski - Regional VP, Brailsford & Dunlavey



September 27, 2010

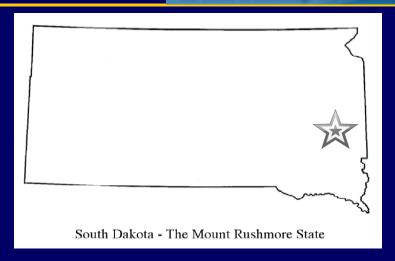




About Brookings, SD



- Population 20,158
- Unique & innovative community
 - Home of Daktronics
- 55 miles north of Sioux Falls, the state's largest city
- Home of South Dakota State University
 - #1 Employer
 - Student economic value ~\$9,500 student/ year
- Great Town & Gown relationship
- Opportunities for Brookings
 - Attracting Alumni and Baby Boomers back
 - Knowledge Economy
 - Underserved in retail
 - Increase visitors





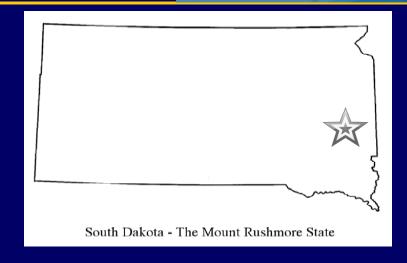




About SDSU

INSTITUTIONAL CONTEXT

- South Dakota's land-grant research teaching university founded in 1881 with about 12,500 students including about 1,800 graduate/professional students
- 68% of students from South Dakota
- About 3,800 students live on-campus in 12 residence hall facilities, two apartment buildings and two family housing complexes
- Carnegie Foundation Research University/High Research Activity institution
- Enrollment has grown annually at 3.12% since 2005
- Comfort enrollment model suggests enrollment will top 13,600 in 2015



ACADEMICS

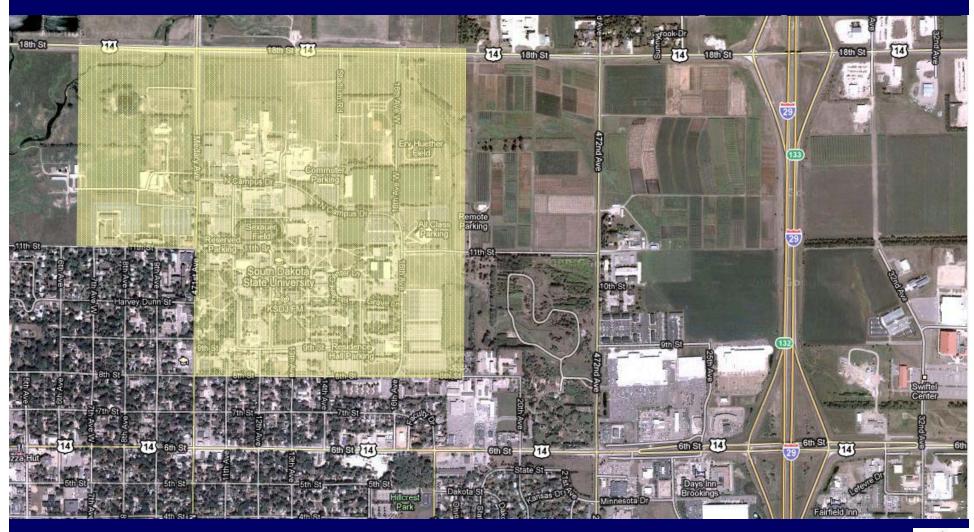
- 120 undergraduate fields of study, 23 master, 12 PhD, and 2 professional doctoral programs in 6 academic colleges and grad school
 - Agricultural and Biological Sciences
 - Arts and Sciences
 - Education and Human Services
 - Engineering
 - Nursing
 - Pharmacy
 - Graduate School





Project Site

The Power of Knowledge and Leadership







About B&D

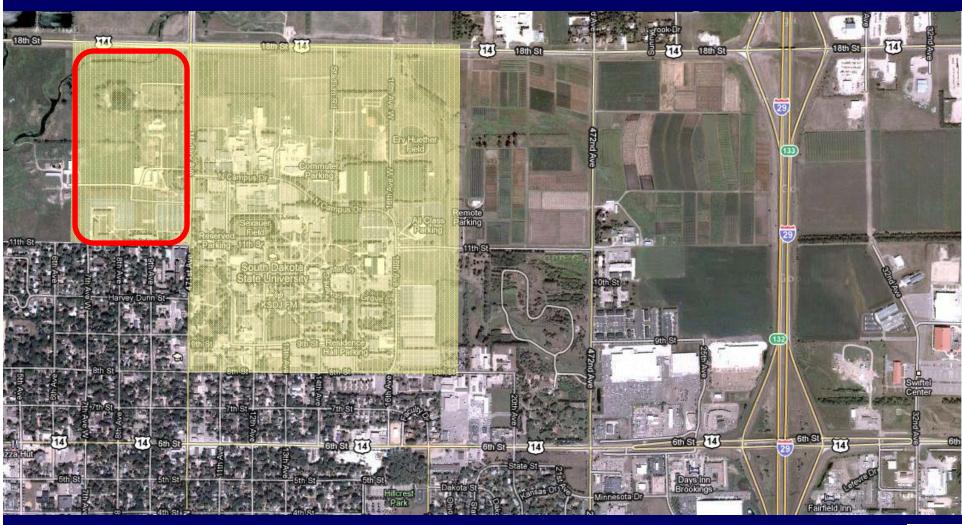


- Program management firm with in-house planning capacity
- Staff of 70 people
- Headquartered in DC with regional offices in Chicago, Charlotte, Detroit, and Laguna Hills.
- Dedicated to serving:
 - Colleges and Universities
 - Professional Sports Organizations
 - ➤ Elementary and Secondary Schools
 - Municipalities and Governments
 - > Private Organizations
- Focused on development of:
 - > Student Housing
 - > Faculty / Staff Housing
 - ➤ Student Athletics, Recreation, and Wellness
 - > Student Unions / Retail / Student Services Buildings
 - > Faculty Clubs
 - Campus Edge / College Town Developments
 - ➤ Ballparks, Stadiums, Arenas
 - Community Recreation Centers
 - ➤ Convocation, Convention, and Conference Centers





Project Site







Project Site

The Power of Knowledge and Leadership







General Strategic Objectives



- 1) Development of the Northwest Quad in a sustainable manner. The goal of sustainability is related to environmental considerations as well as the long-term financial objectives of the University.
- 2) Bridging gaps in facilities and services currently available to students and faculty/staff at SDSU.
- 3) If feasible and consistent with the SDSU needs, providing additional services to the Brookings community (off-campus community).
- 4) Creating opportunities for the private-sector business community to be involved in the contemplated projects through public-private partnerships.
- 5) Developing transaction structure(s) that factor in the fair value of the University's land.
- 6) Developing a consistent architectural language to serve the proposed development and to enhance the aesthetics of future developments elsewhere on campus.





Program Elements



All Discussed Program Elements

- •Upper-division/graduate student housing
- •Faculty/staff housing
- •Retail
- •Office space
- •Conference center
- •Hotel
- •Restaurant
- Active Adult Community
- Daycare
- •Ag. Heritage Museum
- •Foundation/Alumni Association Headquarters
- SDSU Horse Barn

Revenue-Generating Program Elements



- •Upper-division/graduate student housing
- •Retail
- •Conference center
- •Hotel
- Active Adult Community

Other Potential Program Elements



- Medary Commons
- •Hansen Hall
- •SDSU Horse Barn
- •Ag. Heritage Museum
- •Agro-Aquatic Landscaping / Campus Gateway

Student Housing



Student Input (Focus Groups)

- Interest in on-campus upper-division housing
- Affordability of student housing is critical
- Willing to pay premium to live on/near campus
- Autonomy key in the appeal to upper-division/graduate students
- Synergy w/ retail if appropriate mix proposed
- Dedicated resident parking and single-occupancy bedrooms highly sought





Student Housing



Survey/Demand-Based Programming

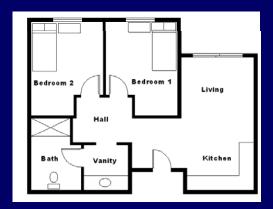
	Projected	Potential	Maximum	Distribution of Demand			
Class	Enrollment	Capture Rate		· ·		Unit C - Studio - Single Occupancy	
Undergraduate - Junior	2,082	5%	110	59	49	2	
Undergraduate - Senior	2,581	4%	107	57	32	18	
Graduate	2,152	4%	91	14	42	34	
Total	6,815	5%	308	130	123	55	
				BEDS			

Resultant Proposed Housing Program (~300 Single-Student Beds)



130 Beds Four-Bedroom Apartments

\$500/month/person



123 Beds Two-Bedroom Apartments

\$625/month/person



55 Studio Apartments

\$700/month/person



Student Housing



Financial Model

1(a). Unit Types	Number of Units	Beds/Unit	<u>Total B eds</u>	Rent/Person/Month	Rent/Person/Month	<u>Lease Term</u>
				(2012 \$s)	(2009 \$s)	
Two-bedroom apt.(double occupancy bedrooms)	0	4	0	\$0	\$0	12
Four-bedroom apt. (single-occupancy bedrooms)	64	4	256	\$535	\$490	12
Two-bedroom apt. (single-occupancy bedrooms)	22	2	44	\$642	\$588	12
Studio apt.(single occupancy)	0	1	0	\$0	\$0	12
CAStudioapt. (single occupancy)	0	1	0	Free Rent	Free Rent	NA
Two-bedroom familyapt.	0	2	0	\$0	\$0	12
On e-bedroom familyapt.	0	1	0	\$0	\$0	12
Staff Apartment (two-bedroom)	1	1	1	Free Rent	Free Rent	NA
Total	87		301			

1(b). Retail

2. Building Size

3. Project Cost

z. bullariy size		3. Project Cost	
Net Square Footage - Residential	83,970	Hard Costs	\$11,345,250
Core & Circulation - Residential	20,993	Soft Costs	\$2,621,000
Retail (Gross SF)	4,000	Financing Costs	\$3,282,000
		Reinvestment Proceeds	(\$306,000)
Total	108,963	Total	\$16,942,250
Total Square Footage/Bed (Excluding Retail)	349	Total Cost/Bed	\$56,000

4. Operating Assumptions 5. Financing Assumptions Tax-exempt fixed rate bonds

Stabilized Occupancy (Academic Year - Year 3)	95%		
Summer Occupancy (0%=12-month rent)	0%	Loan to Cost Ratio	100%
Annual Revenue Inflation (including rental rates)	3%	Amount to be Financed	\$16,942,250
Annual Expense Inflation	3%	Debt Term (years)	30
Occupancy	Aug-12	Average Coupon Rate	5.00%
Annual Construction Cost Inflation Rate	5%	Debt Coverage Ratio	1.20
Operating Expenses per Bed (at Opening)	\$2,270		

Retail



Buxton Report – Retail Site Assessment

- Commissioned by City of Brookings in 2006 to assess potential to attract new retailers and restaurants
- "Brookings serves as a regional draw for retail activity that appeals to a wide variety of retailers and restaurants."
- 20 retail stores and restaurants were identified for which to prepare marketing packages





Demand / Supply Reconciliation

Total annual spending per person	\$4,709
Projected population growth (people)	500
Total annual retail spending	\$2,354,500
Retail sales per square foot	\$350
Resultant retail space demand (square feet)	6,727

Total annual spending per student	\$3,322
Projected student population (Fall 2013 headcount)	13,600
Total annual retail spending	\$45,179,200
Percentage spent on campus	20%
Total annual retail spending on campus	\$9,035,840
Retail sales per square foot	\$350
Resultant retail space demand (square feet)	25,817

Community Market Retail Demand

Student Market Retail Demand

Total Demand of ~32,500sf

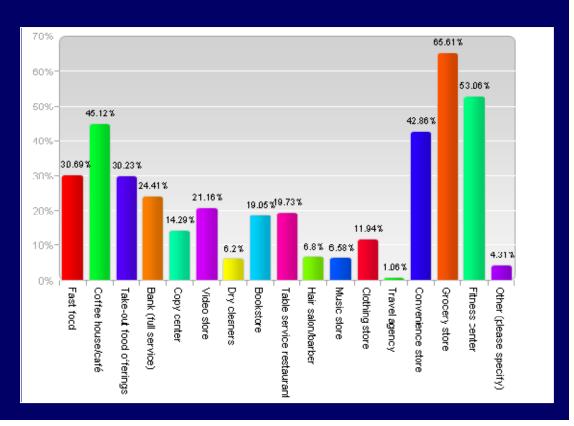
Total Supply of ~33,500sf

Relative balance of on-campus retail space;

No need for additional retail in near future, based on campus -wide demand

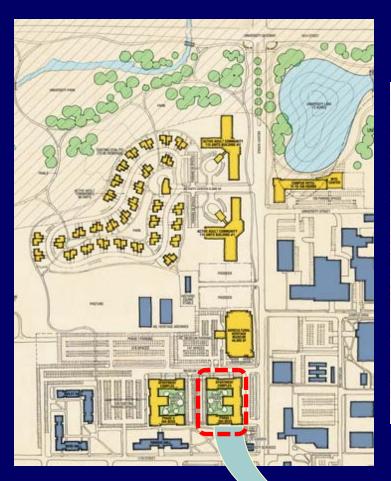
Recommendations:

- Although the analysis shows no more retail space is needed on campus, more students will reside in the NW Quad
- Develop a small retail component to serve residents of the proposed housing development and Berg/Bailey residents
- 4,000-5,000sf recommended
- Most popular outlets (based on student survey results):
 - -Grocery store
 - -Fitness center
 - -Coffee house/café
 - -Convenience store



Student Housing/Retail







Physical Master Plan prepared by Antunovich & Associates



University Conference Market Interview Summary

- Phone interviews with each academic department, Admissions, Provost's Office, and Athletics
- Shortage of appropriate, on-campus meeting/conference locations
- Most meetings range from 10-50 people and many require additional breakout spaces
- Typically hold on-campus meetings in Student Union, but space is increasingly more difficult to reserve
- Most common off-campus locations are Swiftel, Shamrock, and Days Inn
- Important factors mentioned: food service, affordability, alcohol availability, and facility configuration







Swiftel Center – Brookings

- 30,000 sf Arena with 2,500-person banquet seating capacity
- 6,800 sf Banquet Room (906-person banquet seating capacity) divides into two breakout rooms
- 4,777sf county resource room (400-person seating capacity) divides into two breakout rooms
- Two conference rooms at 300sf and 700sf
- Hotel and space configuration issues
- 15,000 sf Ballroom planned; reconfigure current "insufficient" banquet space into 7 breakout rooms
- 80-to-100-room hotel development planned









Days Inn of Brookings

- 125 guest rooms
- 650-person capacity
- 5,400 sf of meeting space divisible into four

rooms

- Connected to Pavilion Bar & Grill
- Catering service available









Preliminary Conference Center Program

	Quantity	Size	Total SF			
Pre-function Area	1	1,500	1.500			
	!		1,500	•		
Food Prep Area	1	750	750			
Board Room	1	700	700	\longrightarrow	Capacity:	20
Large Meeting Room	1	2,160	2,160	\longrightarrow	Capacity:	180 Auditorium
Break-out Rooms	6	360	2,160			120 Banquet
0.	TDD	700	000			,
Storage	TBD	TBD	600			
Restrooms	2	200	400	•		
Total Net:			8,270			
Core/Circulation:			2,757			
Total Gross:			11,027			
				-		







Open Date Rooms

Brookings Hotel Market Overview

- Occupancy averaged 60% from 2005-2008
- Revenue per available room ~\$40 (2005-08)
- Average daily rate \$67 since 2005

Super 8 Brookings	Feb 1996	67
Fairfield Inn & Suites Brookings	Oct 1994	76
Hampton Inn Suites Brookings	Feb 2009	87
Holiday Inn Express & Suites Brookings	Apr 2004	62
Staurolite Inn & Suites	Jun 1972	102
Days Inn Brookings	Aug 1972	123
Comfort Inn Brookings	Jun 1993	50
Sunshine Inn	Jan 1975	37
	Total	604

Hotel

- Highest occupancies reported from June through October, peaking in June (75%)
- Lowest average occupancy in January (42%)
- Significant drop coinciding with general economic downturn in 2008

Hotel Pipeline

- Potential for addition of up to 160 rooms to the Brookings market
- Swiftel Center: 80-100 rooms
- Shamrock: 60 rooms





Campus Hotel Demand

Total campus demand: 10,740 room nights

75-room hotel supply:27,375 room nights

60% occupancy: 16,425 room nights

Deficit: 5,685 room nights

			C: F 4		
Department	Type of Event	Frequency	Size of Event Hotel Users	Length of Event	Total Potential Room Night Demand
General Studies	Job fairs	7	40	1	280
General Studies	Job lairs	,	40		200
Arts and Sciences	Conferences/Meetings	2	150	1	300
Arts and Sciences	Misc. Lectures	5	1	1	5
Arts and Sciences	Military Ball	1	150	1	150
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Education and Human Sciences	Large Conference	1	150	1	150
Education and Human Sciences	Fall Conference	1	125	2	250
Education and Human Sciences	Spring Conference	1	75	1	75
					•
Nursing	Dean's Distinguished Lecture	2	200	1	400
Nursing	Lecturer	2	1	2	4
Nursing	Hooding & Pinning Ceremony	2	1,000	1	2,000
Nursing	Faculty Meeting	1	5	2	10
Nursing	Dean's Research Day	1	3	1	3
Nursing	Spring Faculty Meeting	1	10	2	20
Nursing	Simulation Camp	1	6	2	12
Nursing	Dean search	1	3	2	6
Continuing and Extended Ed.					
					•
Library	Conferences/Meetings	1	125	1	125
					•
Pharmacy	Symposium	1	200	1	200
Pharmacy	Career Fair	1	20	3	60
Pharmacy	Convention	1	150	2	300
Athletics	Football	5	50	1	250
Athletics	Basketball	28	10	1	280
Athletics	Baseball	11	10	1	110
Athletics Athletics	Softball Soccer	10 10	10 15	1	100 150
Athletics Athletics	Volleyball	10	15	1	150
Athletics	Equestrian	1	15	1	15
Africa	Cross country / Track	2	50	1	100
Athletics	Wrestling	6	18	1	108
Athletics	Swimming	9	30	1	270
Athletics	Recruiting Visits	250	1	1	250
Ag. and Biological Sciences	Conferences/Meetings	5	50	1	250
Admissions	Individual Student Visits	1	2,000	1	2,000
Admissions	Group Visits	1	700	1	700
Admissions	High School Visitors	1	804	1	804
Admissions	Scholarship Weekend	1	25	2	50
Engineering	Advisory Board Meetings	10	5	1	50
Engineering	Scholarship Banquets	7	12	1	84
Engineering	Guest Speakers	2	1	2	4
Engineering	Job Interviewees	35	1	2	70
Engineering	Fall Job Fair	1	75	2	150
Engineering	Spring Job Fair	1 15	35	2	70
Engineering	Additional Events	15	25	1	375

10,740



Innovation Campus

- 125-acre research park site to ultimately house over 1M square feet of office, lab, and light manufacturing services
- Building I, Innovation Center, opened in spring of 2008
- 3 additional buildings scheduled for completion in spring and summer of 2010
- Plans for developing a conference center and hotel in the future
- Adjacent to Innovation Village, containing higher-end rental accommodations and retail







Considerations for Hotel/Conference Center Development

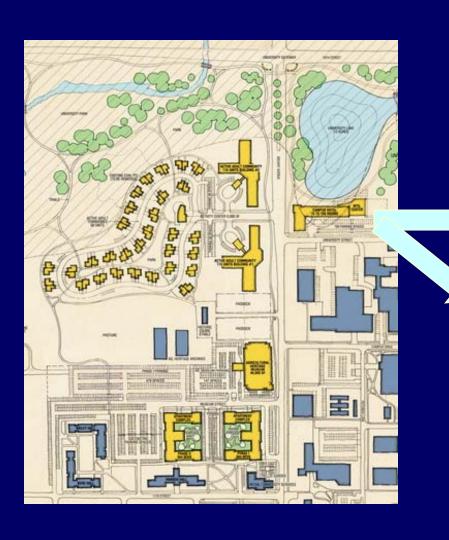
- 1) <u>Current economic climate</u>. The hotel occupancy rates in the Brookings market have declined significantly over the course of the last 18 months. In addition, procurement of debt-financing for real estate transactions, such as hotels, is currently very challenging.
- 2) **Demand and supply reconciliation**. While the need for conference/meeting space is very strong, the hotel will need non-University demand generators to become viable.
- 3) <u>Future hotel development pipeline in Brookings</u>. The market supply may be expanded by the maximum of 160 hotel rooms if both the Swiftel Center (80-100 rooms) and Shamrock (60 rooms) proposals get implemented.
- 4) The growth of the Innovation Campus. The Innovation Campus may become a strong hotel/conference space demand generator and may help bridging the gap that currently exists due insufficient SDSU-only demand.

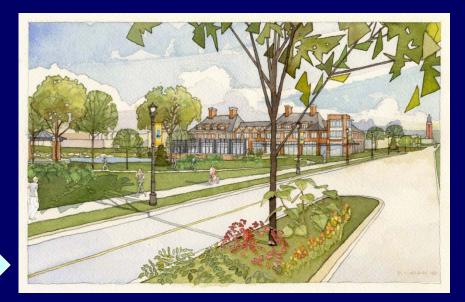




Hotel/Conference Center









Physical Master Plan prepared by Antunovich & Associates



<u>Structural Models – CCRCs</u>

- Includes health care service
- Average resident age 84
- Average age of entry 78
- Entrance fee payment and refundability
- No legal ownership, akin to cooperative setup
- Monthly service fee for housekeeping, personal care, tuition, activities
- CCRC residents live 15% longer than the overall US population
- Relatively more difficult to fund: 2/3 sold/pre-leased to secure financing
- •Case study: Capstone Village at University of Alabama









Structural Models – ILCs

- Relatively easier to fund; 1/3 sold to secure financing
- No health care components
- Target age group: 55-70
- Health care services paid for by residents
- Outright ownership with ability to resell
- Programs, classes, and activities offered
- Lower, more consistent monthly fees
- •Case Study: Academy Village University of Arizona







<u>Structural Models – Hybrid Model</u>

- Offer some level of continuing care health services, but not equivalent to that of CCRCs
- Target age group typically more similar to ILCs
- Level of service and involvement by management company more akin to CCRCs
- Variable terms of ownership and transferability
- •Case Study: Kendal at Ithaca Cornell University and Ithaca College







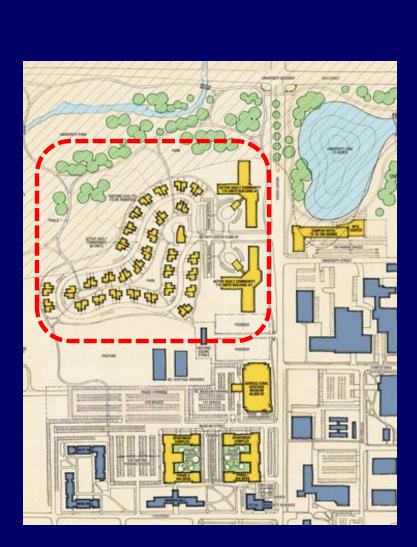
Recommendations

- Coordinate with Chamber of Commerce's Continuity of Care Study
- Continuity of Care Study includes review of current nursing home care available in Brookings and market evaluation for an active adult community
- Coordinate with the City to determine most appropriate facility type
- Consider ground lease agreement with outside development company
- Consider University participation in facility operation















Physical Master Plan prepared by Antunovich & Associates

Implementation Plan



- Student Housing/Retail a joint development of the residential facility with a retail component, given the market demand and financial viability, should become the first phase of the Project. Implementation of the development could start very shortly, pending administrative approvals.
- Conference Center/Hotel a development of a conference facility should be considered with a hotel component. The market conditions, the present shortage of sufficient demand for hotel rooms in particular, may delay the initiative until additional demand generators, such as the Innovation Campus growth, become available.
- Active Adult Community further planning of the contemplated development, in coordination with the City of Brookings, will have to take place before an implementation schedule is proposed.







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