NORTH CAROLINA STATE BUILDING COMMISSION

INNOVATIONS COMMITTEE | FEBRUARY 14, 2013

SOURCES & METHODS OF PROJECT FUNDING

BRAD NOYES
SENIOR VICE PRESIDENT
704.367.8500
bnoyes@programmanagers.com

- *The Current State of Public-Private Partnerships: Does It Make More or Less Sense in These Turbulent Financial Times?*

  2009 ACUHO-I Conference

- *Facilities Funding Thaws*

  2010 NACUBO Business Officer

- *Diverse Project Delivery is the New Reality*

  2010 SCUP Southeast

- *Public Private Partnership Panel Moderator*

  2012 SCUP Carolinas

- *State of the Off-Campus Development Market*

  2012 Student Housing Business Operations Exchange

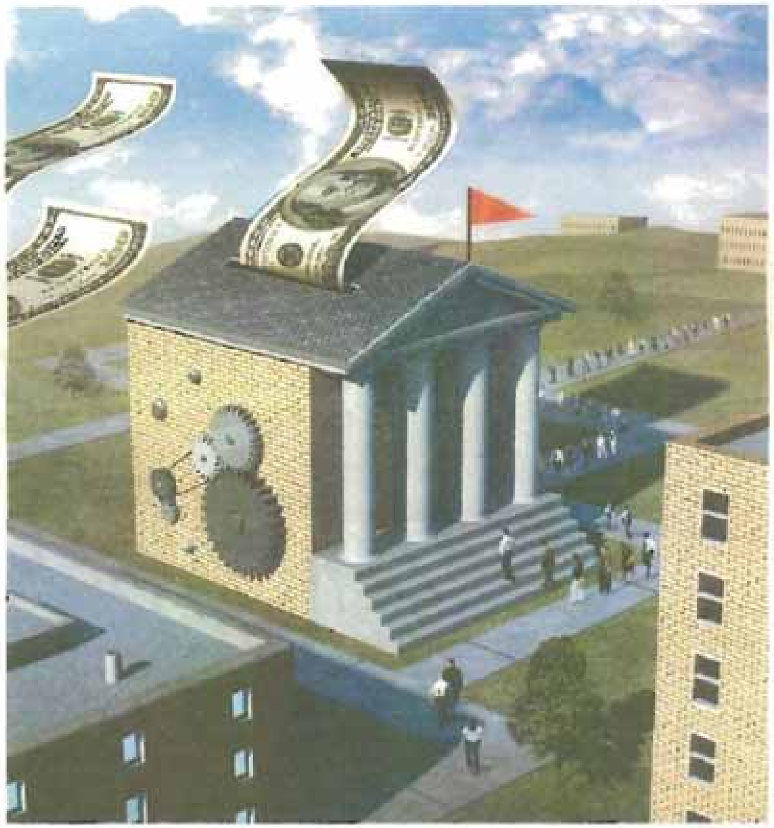
NATIONAL CONTEXT

THE CHRONICLE

of Higher Education

July 14, 2006 • $3.75
Volume LII, Number 45

Cities' New Economic Engines



In the Rust Belt and elsewhere, universities are asked to replace dying industries, but the expectations are often unrealistic: A18

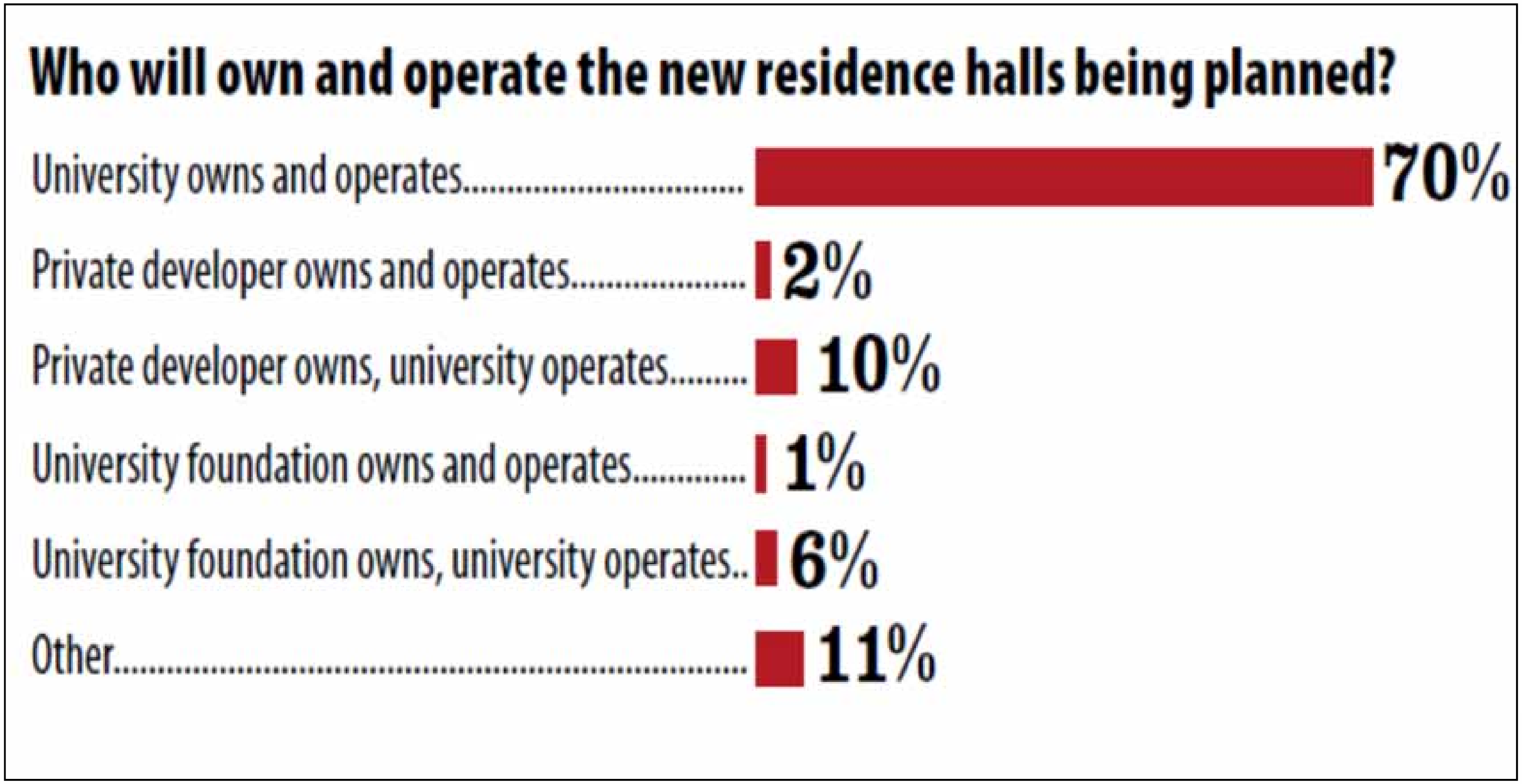
Market Trends

Categories	2000	2007	Variance	% Change
Total Enrollment	15,312,000	18,249,000	2,937,000	19.2%
Total Off-campus Housing	13,247,872	15,665,612	2,417,740	18.3%
Total On-campus Housing	2,064,128	2,583,388	519,260	25.2%
Total PPP Housing	35,804	110,246	74,442	207.9%
Total Off-campus Housing as % of Total Enrollment	86.5%	85.8%		
Total On-campus Housing as % of Total Enrollment	13.5%	14.2%		
Total PPP Housing as % of Total On-campus Housing	1.7%	4.3%		

Note:
Enrollment data provided by the U.S. Department of Education and the National Center for Educational Statistics.
On-campus housing data provided by the U.S. Census Bureau and the National Center for Educational Statistics.
PPP housing data provided by George K. Baum and Company.
On-campus data includes off-campus properties that are affiliated with the institution (i.e. public-private partnerships).

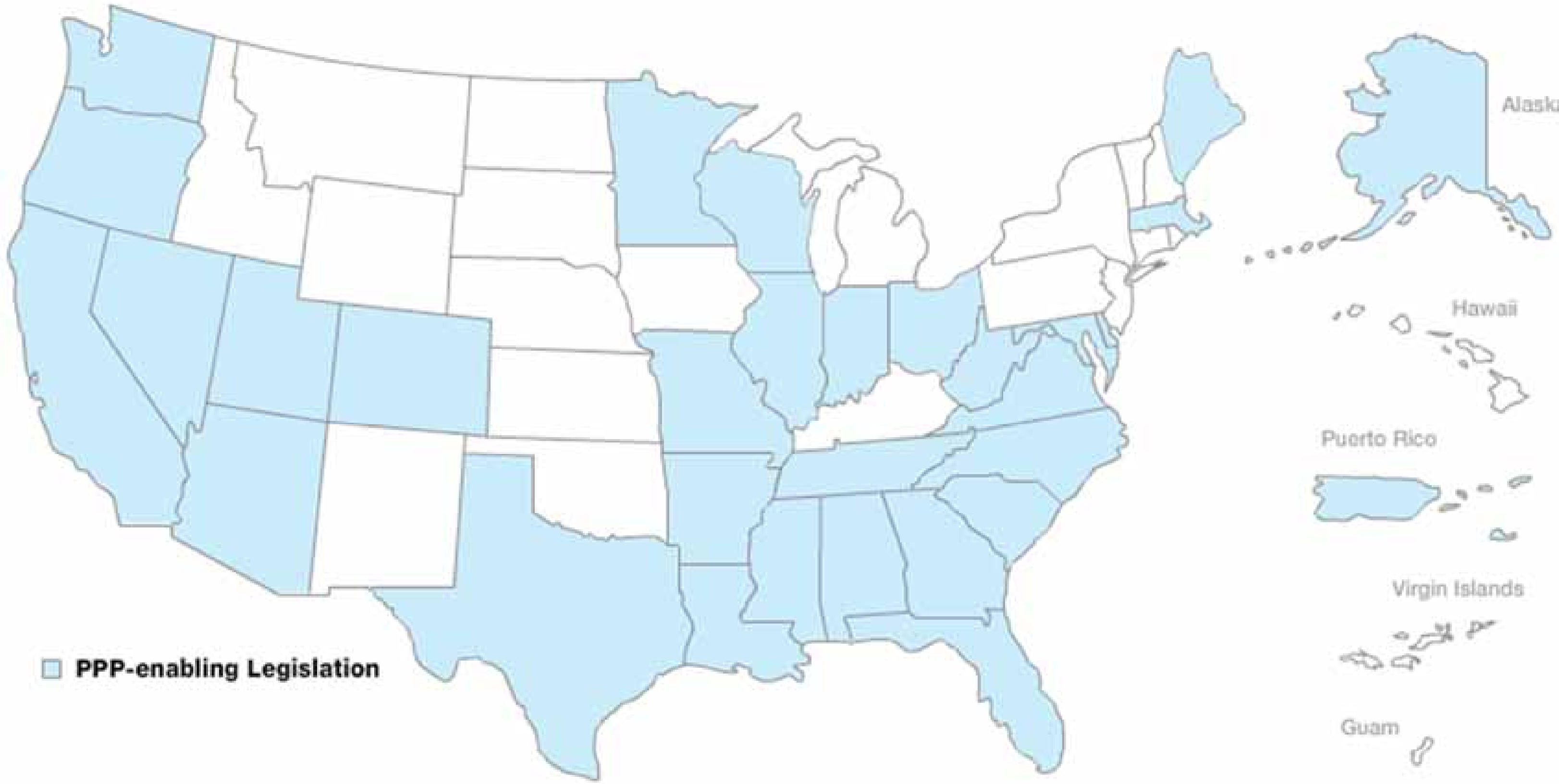
- Of the 4,300 plus higher education institutions, 2,252 offer on-campus housing
- On campus housing grew 25.2% from 2000-2007, exceeding total enrollment growth
- Total on-campus housing as a percentage of total enrollment grew from 13.5% to 14.2%

Market Trends



Abramson, Paul. "Living on Campus " 2012 College Housing Report. June 2012 www.webCPM.com.

National PPP Legislation



AASHTO http://www.transportation-finance.org/tools/state_by_state/ppp.aspx

PPP Legislation by State

Legislation is necessary to enable PPPs because they typically require transacting a structured finance deal

Figure 3: Key features of PPP-enabling legislation by state

	Solicited and unsolicited proposals allowed	Local, state, or federal funds can be combined with private-sector funds	Various kinds of procurements allowed for project delivery[1]	Long-term leases/franchises granted by the public sector for construction, operation, and maintenance of toll facilities	Public sector has authority to issue toll revenue bonds or notes	Public sector agency can hire its own technical and legal consultants	Public sector outsources long-term operations and maintenance and other asset management duties to the private sector
AL				•			•
AK		•		•	•	•	•
AZ	•			•			•
CA	•		•	•			
CO	•	•	•	•	•	•	•
DE	•	•	•	•			•
FL	•	•	•	•	•	•	•
GA	•	•	•	•		•	•
IN		•	•	•	•	•	•
LA	•	•	•	•	•		•
MD	•		•	•		•	•
MN	•			•	•		•
MS	•	•	•	•	•	•	
MO	•		•	•	•		•
NV	•	•		•			•
NC	•	•	•	•	•	•	•
OR	•	•	•	•	•	•	•
SC					•		•
TN		•	•		•		•
TX	•	•	•	•	•	•	•
UT	•	•	•	•	•	•	•
VA	•	•	•	•		•	•
WA	•	•	•	•	•	•	•

[1]Examples include calls for projects, competitive requests for proposal, qualifications review followed by an evaluation of proposer concepts, use of design-build, procurements based on financial terms such as return on equity rather than on price, long-term asset leases for some period of up to 60 years or longer from the time operations commence.

Source: PricewaterhouseCoopers analysis based on Federal Highway Administration and US Department of Transportation data

An Examination of Public Private Partnerships (Johns Hopkins University)

PPP Partnership Scenarios

Table 1.2 The range of options for public-private partnerships in infrastructure

Type of partnership	Features
Traditional design and build	The government contracts with a private partner to design and build a facility to specific requirements.
Operations and maintenance	The government contracts with a private partner to operate a publicly owned facility.
Turnkey operation	The government provides financing, the private partner designs, constructs, and operates facility for a specified time period, while the public partner retains ownership of facility.
Lease-purchase	The private partner leases a facility to the government for a specified time period, after which ownership is vested with government.
Lease or own-develop-operate	The private partner leases or buys a facility from the government and develops and operates the facility under contract to the government for a specified time period.
Build-operate-transfer	The private partner obtains an exclusive contract to finance, build, operate, maintain, manage, and collect user fees for a facility for a fixed period to amortize its investment, and at the end of the franchise, the title reverts to the government.
Build-own-operate	The government either transfers ownership and responsibility for an existing facility or contracts with a private partner to build, own, and operate new facility in perpetuity.

The Role of Public Private Partnerships in Education, The World Bank

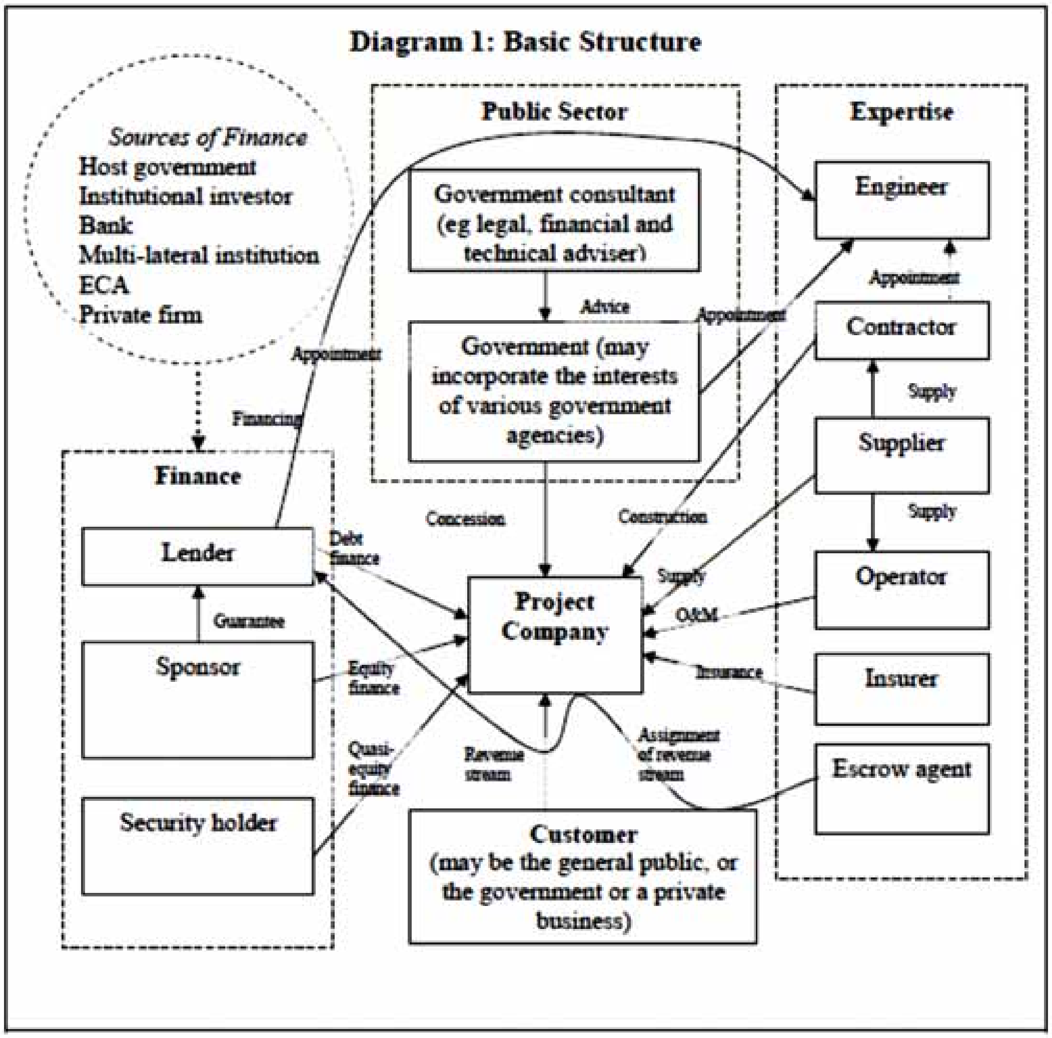
Risk Reallocation in a PPP

Figure 3. Risk Reallocation in P3s

POTENTIAL RISK	Typical Private Sector Responsibility	Risk Shifted to Private Sector in PPP
Major environmental risks	No	Maybe
Usage rates, travel, and revenue	Never	Not Likely
Conflics, delays from unknown historical conditions	No	Yes
Conficts, delays from unknown archaeological conditions	No	Yes
Conficts, delays from unknown endangered-species conditions	No	Yes
Conflicts, delays from unknown utility conditions	Maybe	Yes
Cost and delays rom unidentified hazardous waste not cause by contractor	No	Yes
Accuracy of design and survey data	No	Yes
Geotechnical and soil conditions	No	Yes
Differing site conditions	No	Yes
Delays from legal action against the project	No	Yes
Delays from public interference	No	Yes
Right-of-way acquisition cost, and time to procure (need the public entity's right of eminent domain)	No	Likely
Changes in zoning, laws or rules that may affect the project	No	Yes
Delays by the grantor and/or other agencies	No	Yes
Insurance coverage	Partial	Likely
Up-front costs to design and develop project	No	Likely
Long-term liability exposure for maintenance, structures	Maybe	Likely
Long-term liability exposure to litigation	Maybe	Maybe
High and unusual liquidated damages for delay	No	Likely
Extraordinary guarantees	No	Likely

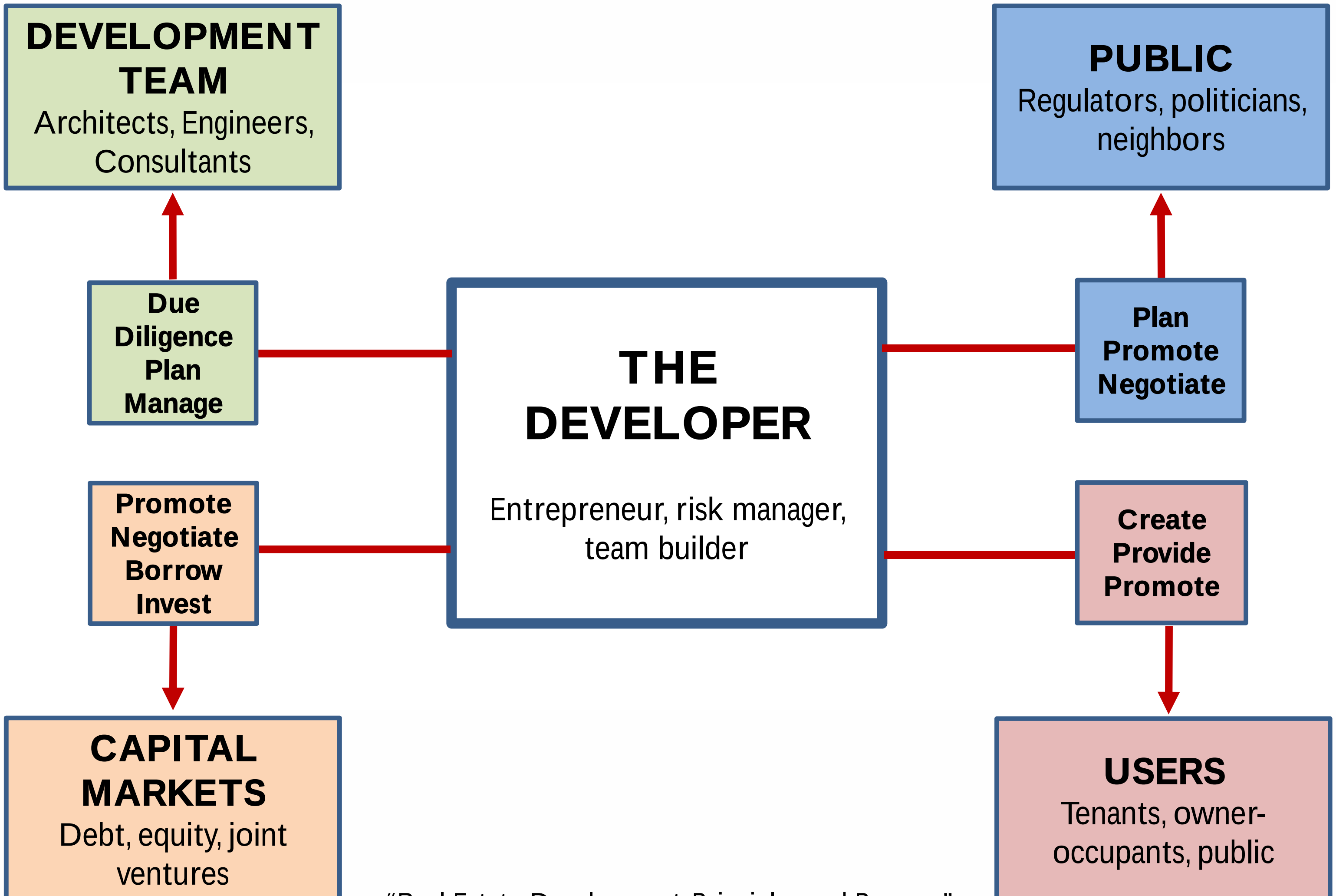
Source: "Focus on Insurance: New Alignments, New Risks." www.construction.com. From the Association of General Contractors Constructor Magazine, May-June 2009.

PPP Structure Diagram



A Legal Perspective of Public Private Partnerships (UN ESCAP)

PPP Structure Diagram



"Real Estate Development: Principles and Process"

Development Structure Management

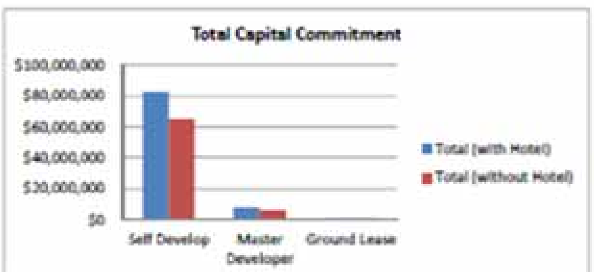
	Memorandum of Understanding (MOU)		Interim Services Agreement (ISA)		Development and Construction Management Services Agreement		Ground Lease	
	HU	CA	HU	CA	HU	CA	HU	CA
If something comes up with this, who carries the risk?								
City has alternate interpretation of FAR, setbacks, parking	✓	-	✓	-	-	✓		
construction rates go up	✓	-	✓	-	-	✓		
CBE subcontractors are busy	✓	-	✓	-	-	✓		
University bond rating changes	✓	-	✓	-	✓	-		
USGBC changes LEED rating system	✓	-	✓	-	✓	-		
interest rates go up	✓	-	✓	-	-	✓	-	✓
enrollment increases/decreases	✓	-	✓	-	✓	-	✓	-
first year student gender distribution changes	✓	-	✓	-	✓	-	✓	-
unforeseen conditions (ex. haz mat, groundwater)	✓	-	✓	-	✓	-	✓	-
public utilities capacity is insufficient	✓	-	✓	-	✓	-	✓	-
What are parties putting in?								
planning	time	time						
schematic design			time; reimburse CA	pay up front				
studies (topo, geotech, haz mat, traffic, air quality, etc.)			time; reimburse CA	pay up front				
full design			time; reimburse CA	pay up front				
permits			time; reimburse CA	pay up front				
					pay CA a % fee			
Timeline								
	Oct 2010 - March 2011 6 months planning		April 2011 - May 2012 14 months design, permitting,		June 2012 - July 2013 14 months construction		August 2013 - lease term	

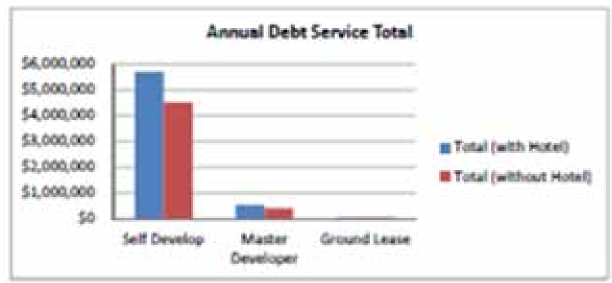
Development Structure Management

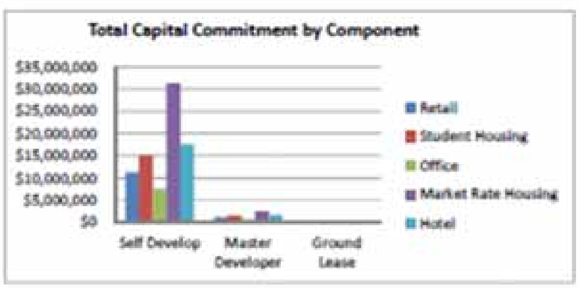
			Self Develop	Master Developer	Ground Lease	University Rate	Developer Rate	Term	TIRZ
Retail	100,000	Square Feet	100%	10%	1%	5.5%	6.5%	30	$0.00
Office	42,000	SF	100%	10%	1%	5.5%	6.5%	30	$0.00
Student Housing	300	Beds	100%	10%	1%	5.5%	6.5%	30	$0.00
Market Rate Housing	300	Units	100%	8%	1%	5.5%	6.5%	30	$0.00
Hotel	125	Keys	100%	10%	1%	5.5%	6.5%	30	$0.00

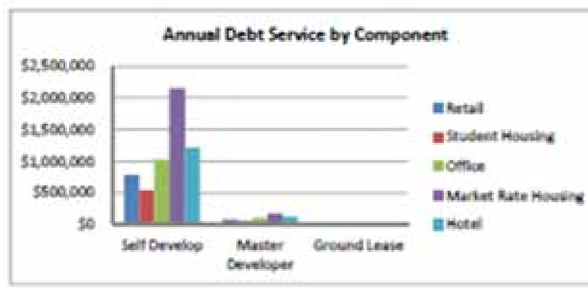
Total Capital Commitment	Self Develop	Master Developer	Ground Lease
Retail	$11,350,000	$1,140,000	$110,000
Student Housing	$15,020,000	$1,500,000	$150,000
Office	$7,630,000	$760,000	$80,000
Market Rate Housing	$31,260,000	$2,500,000	$310,000
Hotel	$17,530,000	$1,750,000	$180,000
Total (with Hotel)	$82,790,000	$7,650,000	$830,000
Total (without Hotel)	$65,260,000	$5,900,000	$650,000

Total Annual Debt Service	Self Develop	Master Developer	Ground Lease
Retail	$780,000	$80,000	$8,000
Office	$530,000	$50,000	$5,000
Student Housing	$1,030,000	$100,000	$10,000
Market Rate Housing	$2,150,000	$170,000	$22,000
Hotel	$1,210,000	$120,000	$12,000
Total (with Hotel)	$5,700,000	$520,000	$57,000
Total (without Hotel)	$4,490,000	$400,000	$45,000



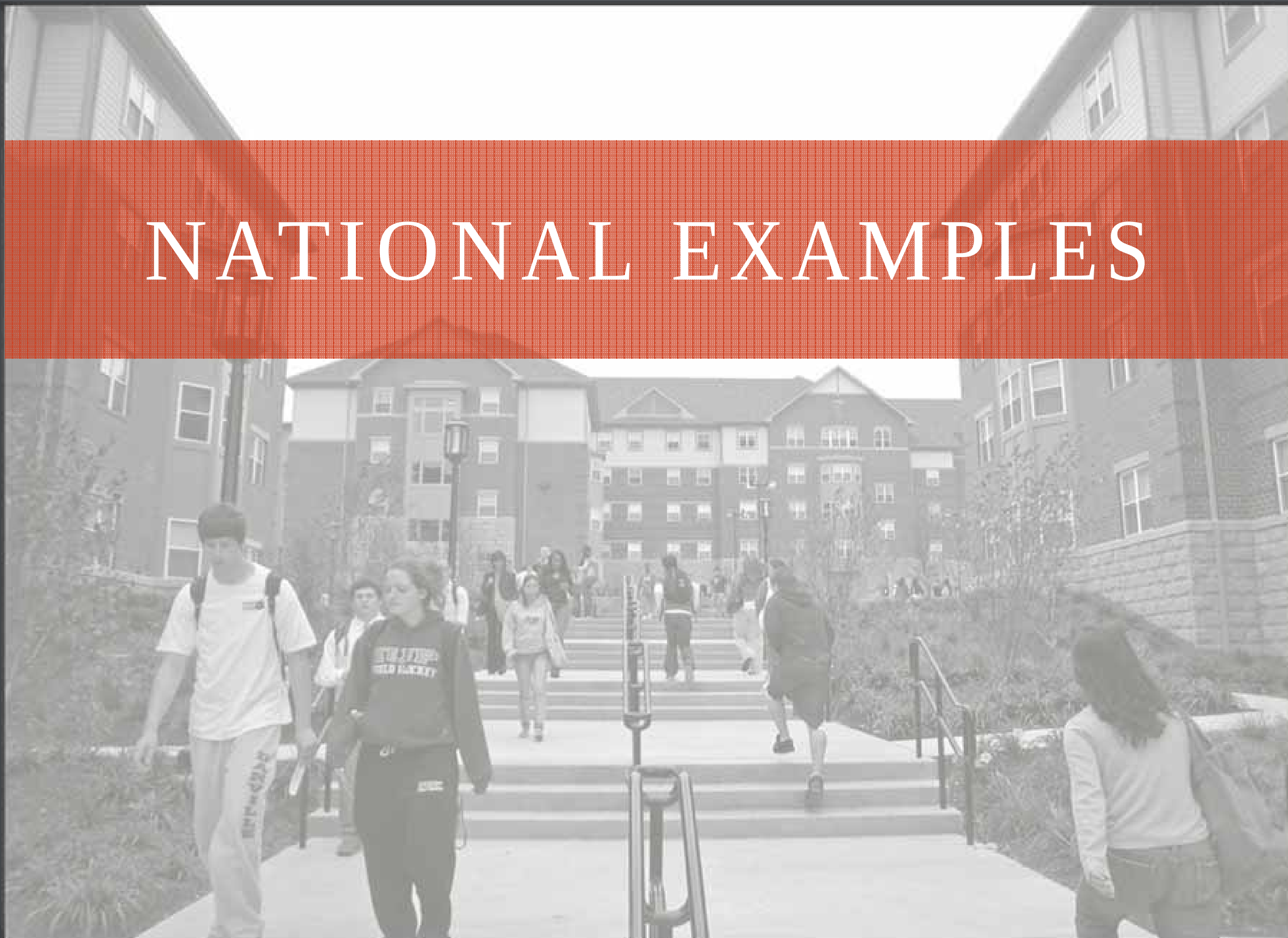






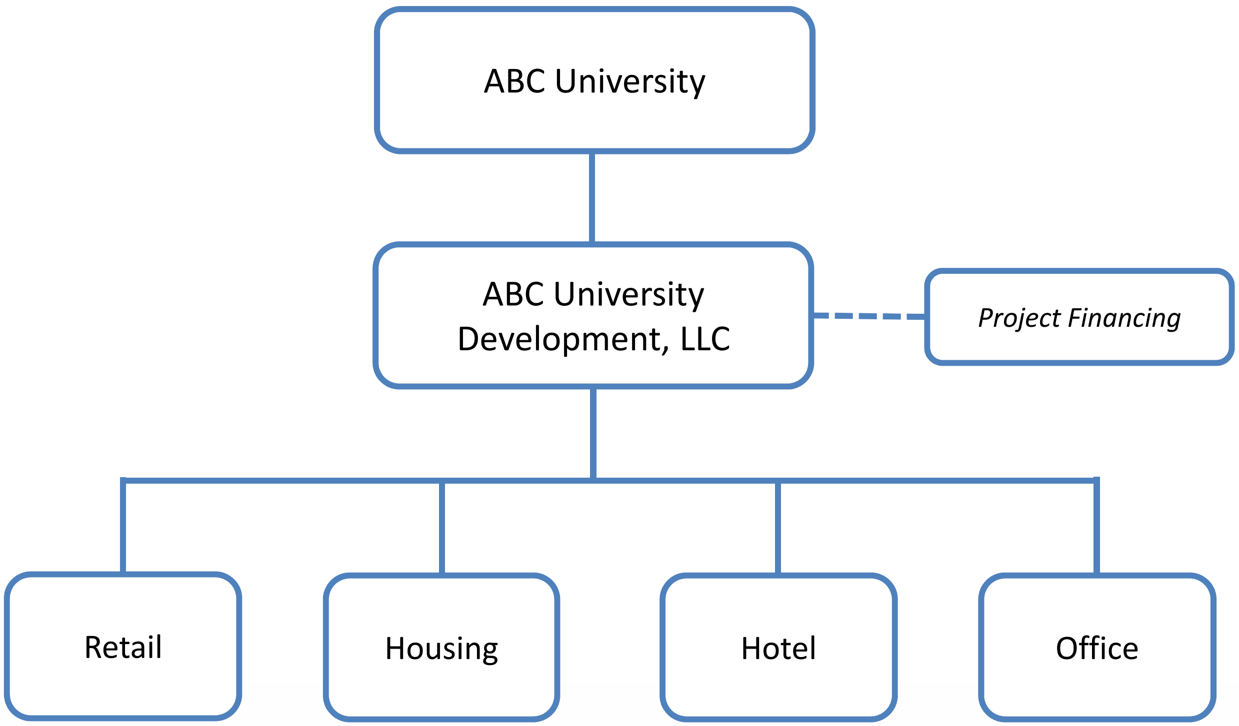
- Strategic Planning
- Primary Market Research & Analysis
- Financial Analysis
- Programming
- Economic Impact Analysis
- Residual Land Value Analysis
- Land Use Planning
- Development & Operating Structure Analysis
    - Ownership
    - Funding
    - Phasing
    - Community

NATIONAL EXAMPLES



Development Structures

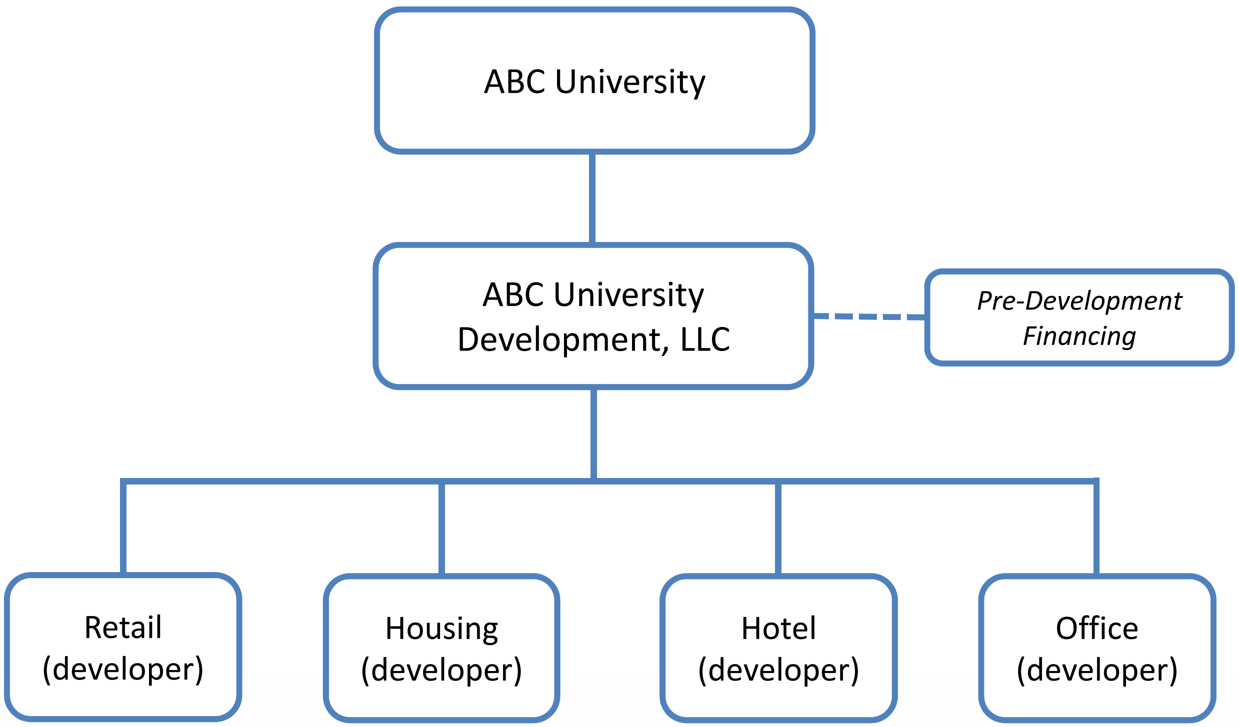
SELF DEVELOPER



% Capital Commitment
% Proceeds

Development Structures

MASTER DEVELOPER

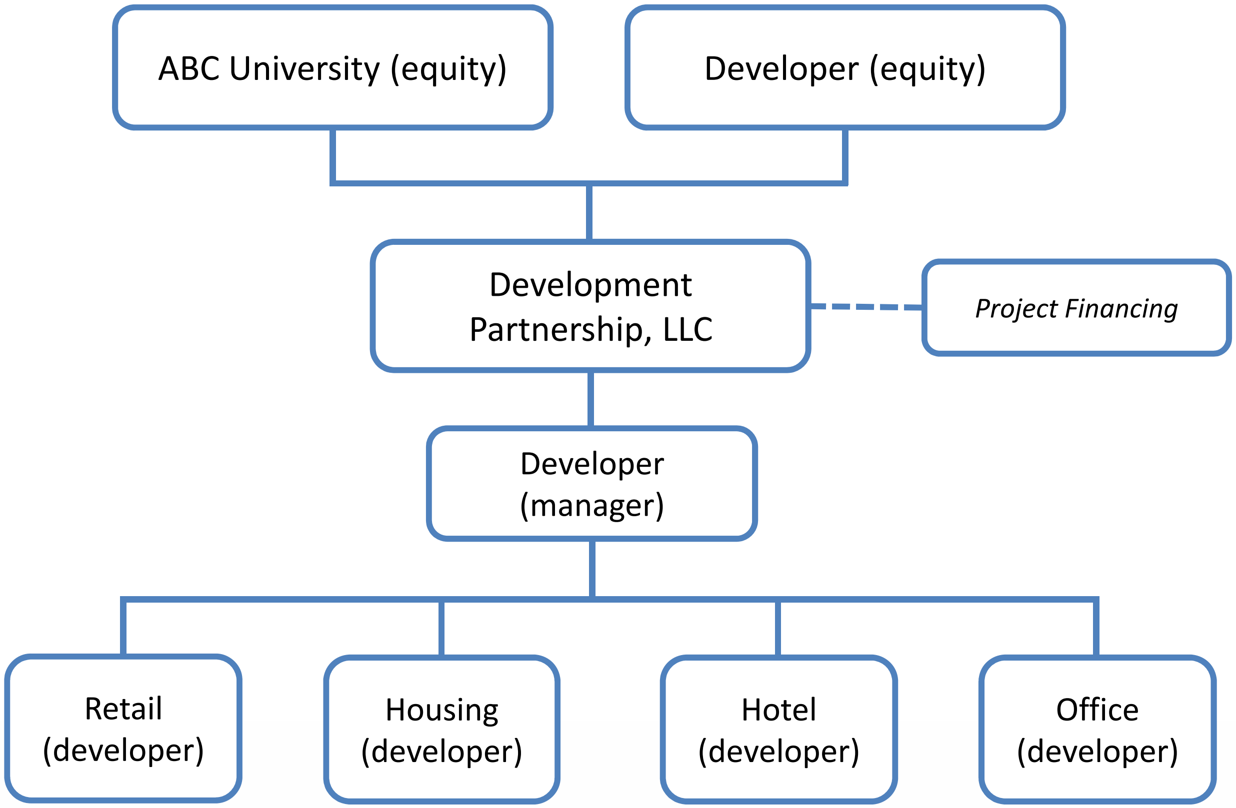


% Capital Commitment

% Proceeds

Development Structures

MASTER DEVELOPER PARTNERSHIP

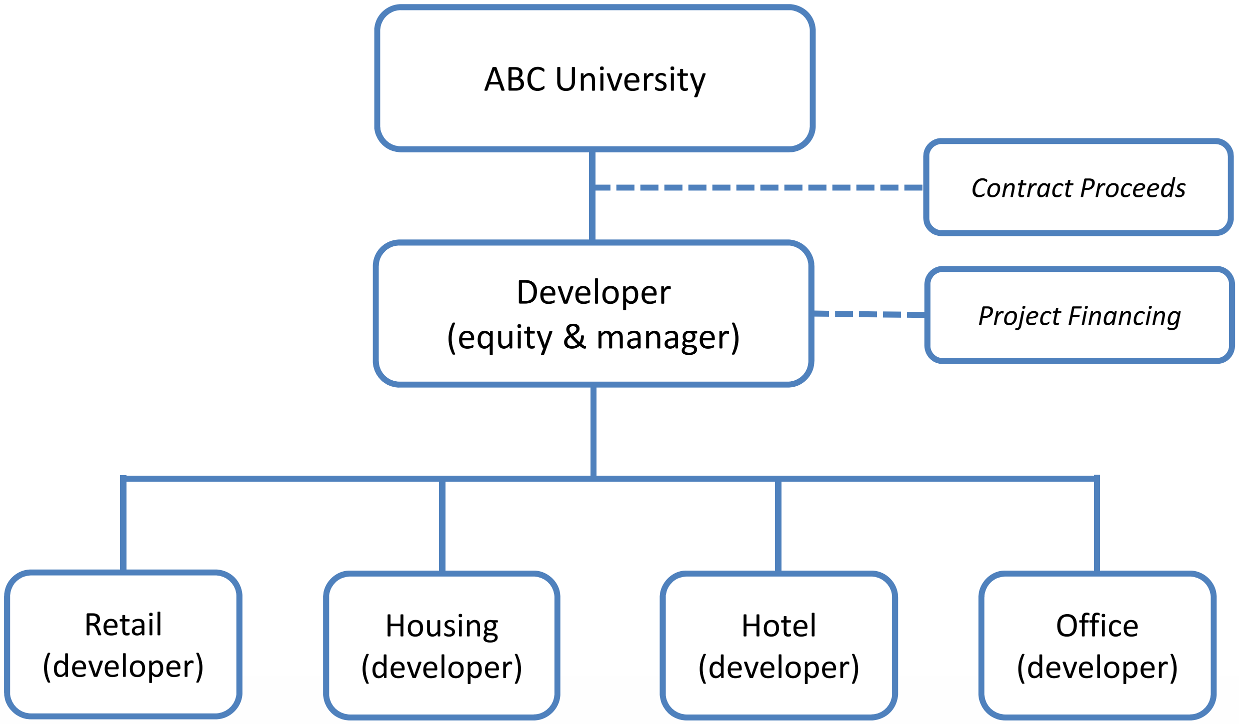


% Capital Commitment

% Proceeds

Development Structures

COMPREHENSIVE DEVELOPMENT PARTNER



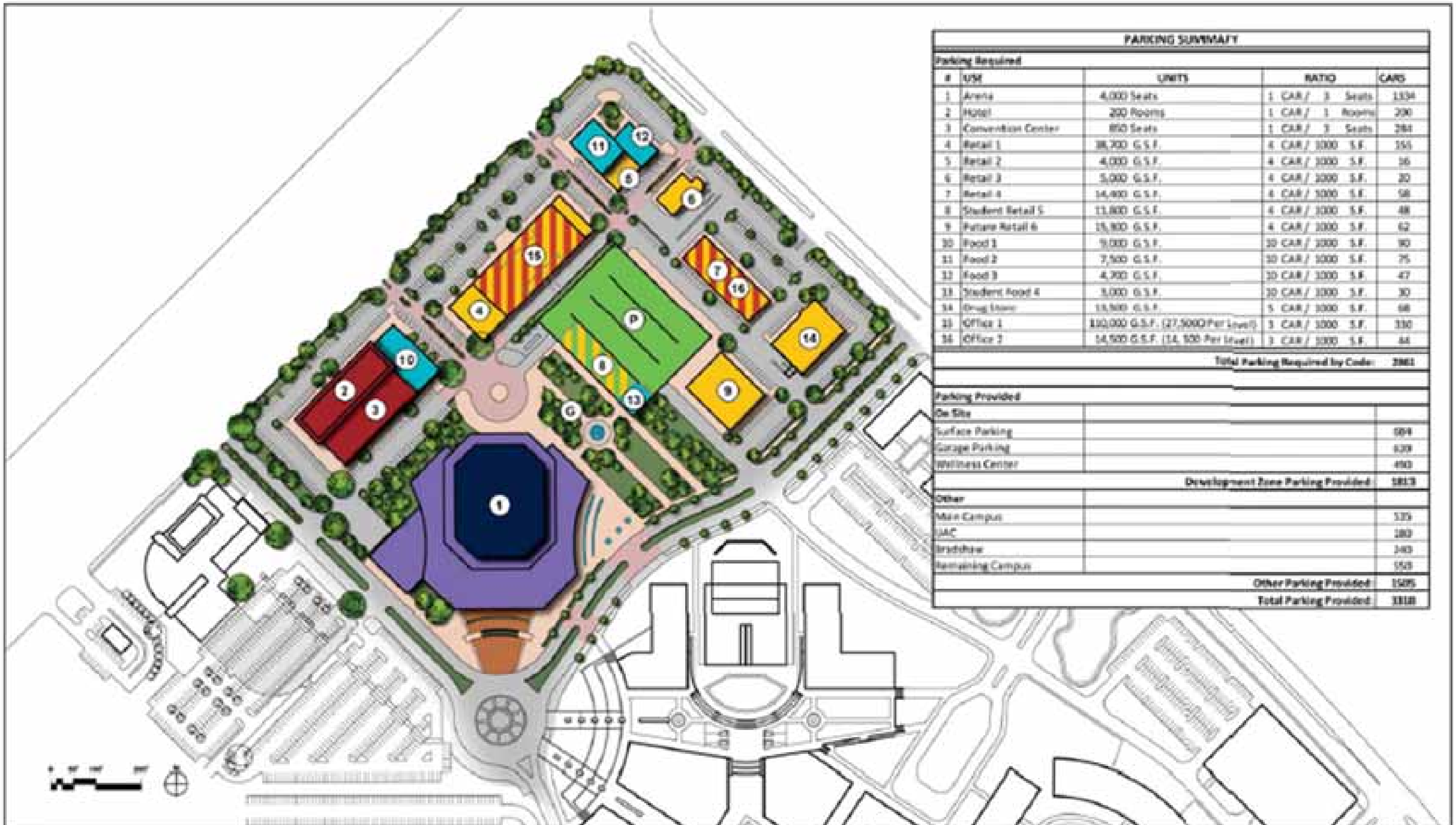
% Capital Commitment

% Proceeds

HBU
HOUSTON BAPTIST UNIVERSITY

Credit for Image: PGAL

HBU
HOUSTON BAPTIST UNIVERSITY



PARKING SUMMARY				
Parking Required				
#	USE	UNITS	RATIO	CARS
1	Arena	4,000 Seats	1 CAR / 3 Seats	1334
2	Hotel	200 Rooms	1 CAR / 1 Rooms	200
3	Convention Center	850 Seats	1 CAR / 3 Seats	284
4	Retail 1	38,700 G.S.F.	4 CAR / 1000 S.F.	155
5	Retail 2	4,000 G.S.F.	4 CAR / 1000 S.F.	16
6	Retail 3	5,000 G.S.F.	4 CAR / 1000 S.F.	20
7	Retail 4	14,400 G.S.F.	4 CAR / 1000 S.F.	58
8	Student Retail 5	11,800 G.S.F.	4 CAR / 1000 S.F.	48
9	Future Retail 6	15,800 G.S.F.	4 CAR / 1000 S.F.	62
10	Food 1	9,000 G.S.F.	10 CAR / 1000 S.F.	90
11	Food 2	7,500 G.S.F.	10 CAR / 1000 S.F.	75
12	Food 3	4,700 G.S.F.	10 CAR / 1000 S.F.	47
13	Student Food 4	3,000 G.S.F.	10 CAR / 1000 S.F.	30
14	Drug Store	13,500 G.S.F.	5 CAR / 1000 S.F.	68
15	Office 1	110,000 G.S.F. (27,500 Per Level)	3 CAR / 1000 S.F.	330
16	Office 2	14,500 G.S.F. (14,500 Per Level)	3 CAR / 1000 S.F.	44
			Total Parking Required by Code:	**2861**
Parking Provided				
On Site				
Surface Parking				584
Garage Parking				639
Wellness Center				490
			Development Zone Parking Provided:	**1813**
Other				
Main Campus				335
UAC				282
Bradshaw				343
Remaining Campus				559
			Other Parking Provided:	**1505**
			Total Parking Provided:	**3318**

Credit for Image: PGAL

HBU
HOUSTON BAPTIST
UNIVERSITY

Credit for Image: PGAL

Bucknell University

Development Area

Study Area	36 Acres
Primary Area	29 Acres
Effective Area	11 Acres

Effective Area Ownership

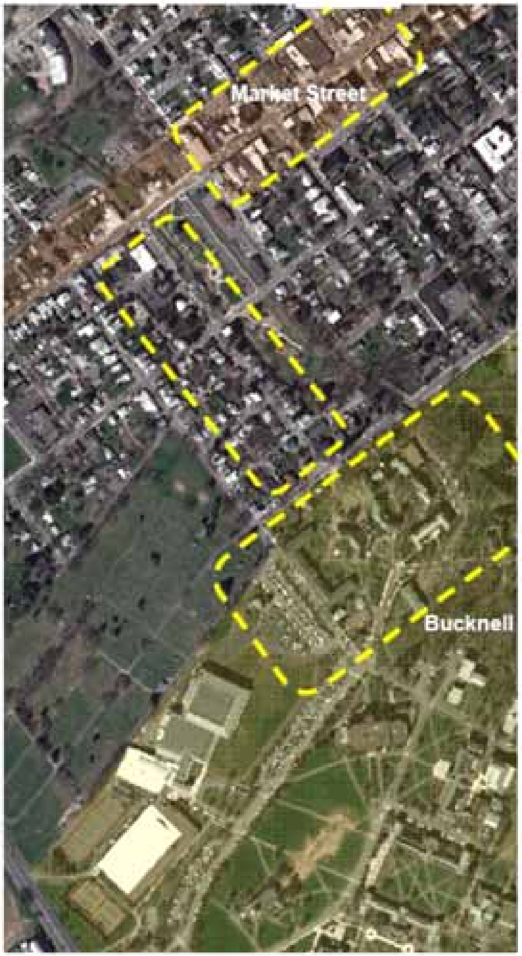
Bucknell	1.7 Acres
535 Inc / Gardner	2.3 Acres

Phase IA

Bookstore	$10M to $12M
Inn and Business Center	$20M to $23M
Parking Structures	$12M to $15M
Administrative Offices	$8M to $10M
Phase IA Subtotal:	**$50M to $60M**

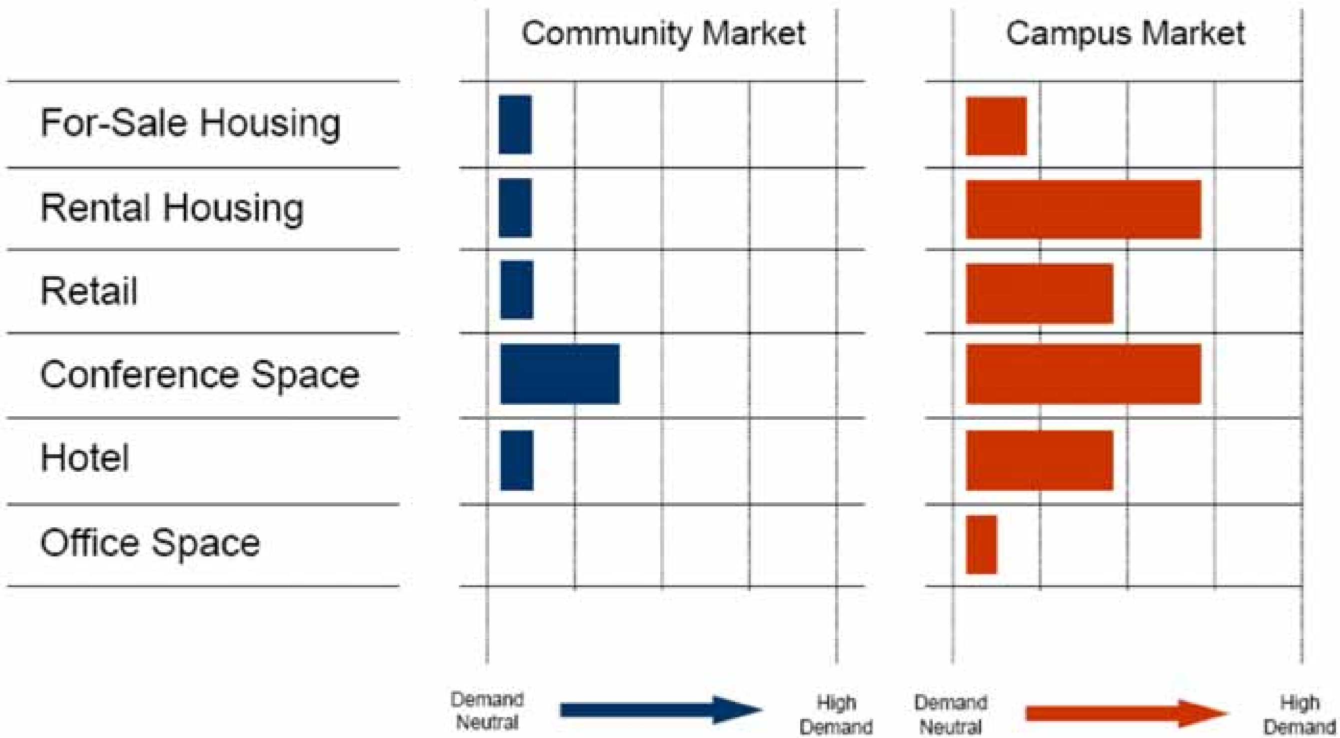
Phase IB

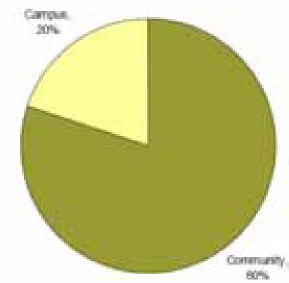
New Student Apartments	$25M to $30M
Regional Arts Center	$10M to $13M
Workforce Housing Program	$1M to $2M
Theater Rehabilitation	$4M to $6M
Phase I Total:	**$90M to $111M**

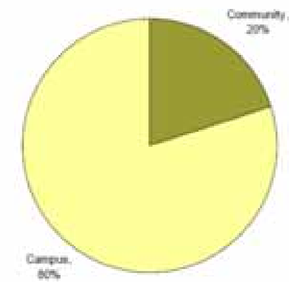


Bucknell University

Neighborhood Real Estate Product Drivers







LSU

Credit for Image: AECOM

Retail

Credit for Image: AECOM

Office

Credit for Image: AECOM

Housing

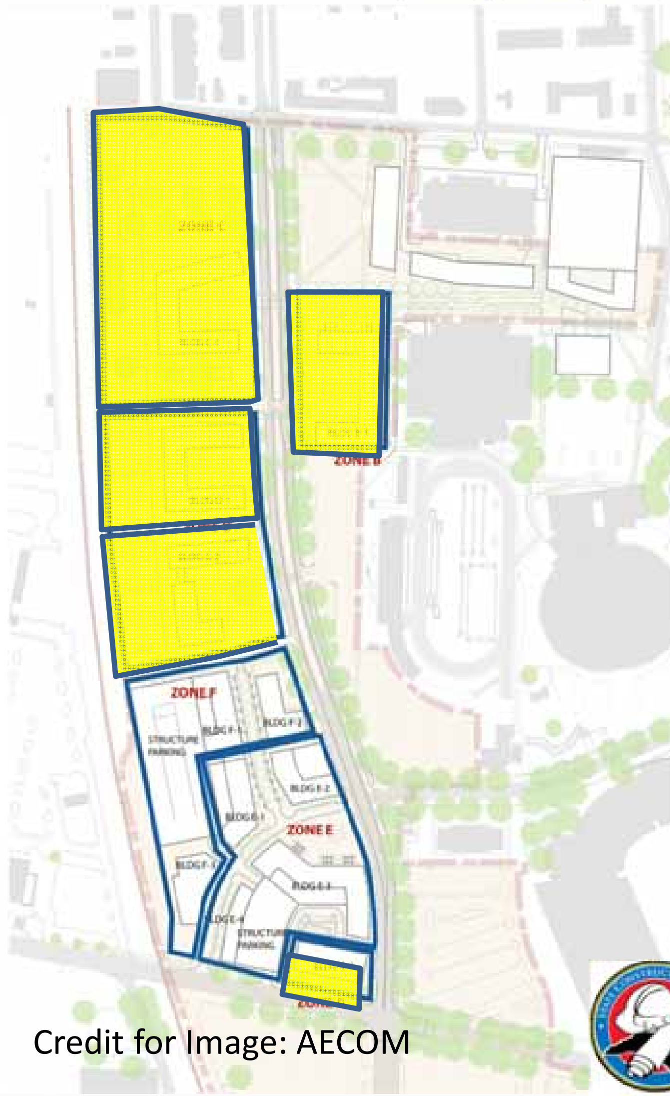
Credit for Image: AECOM

Parking

Credit for Image: AECOM

LSU

		BLDG NET AREA (SF)	HOUSING UNITS
ZONE A 27,400 SF	BLDG A-1	BLDG NET AREA (SF)	HOUSING UNITS
	housing	0	0
	retail	2,000	
	office (2-4 FL)	45,000	
	office (1 FL)	13,000	
	TOTAL	60,000	0
ZONE B 124,700 SF	BLDG B-1	BLDG NET AREA (SF)	BED UNITS
	Student housing	128,680	415
	retail	0	
	office	0	
	TOTAL	128,680	415
ZONE C 316,200 SF	BLDG C-1	BLDG NET AREA (SF)	BED UNITS
	Student housing	135,480	339
	retail	0	
	office	0	
	TOTAL	135,480	339
ZONE D1 157,900 SF	BLDG D-1	BLDG NET AREA (SF)	BED UNITS
	Student housing	128,800	286
	retail	0	
	office	0	
	TOTAL	128,800	286
ZONE D2 163,600 SF	BLDG D-2	BLDG NET AREA (SF)	BED UNITS
	Student housing	111,200	247
	retail	0	
	office	0	
	TOTAL	111,200	247



Credit for Image: AECOM

LSU

ZONE E 210,500 SF	BLDG E-1	BLDG NET AREA (SF)	BED UNITS
	Student housing	43,800	97
	retail	21,100	
	office	0	
	TOTAL	64,900	97
	BLDG E-2	BLDG NET AREA (SF)	BED UNITS
	Student housing	41,100	91
	retail	21,300	
	office	0	
	TOTAL	62,400	91
	BLDG E-3	BLDG NET AREA (SF)	HOUSING UNIT
	Market housing	83,100	69
	retail	37,000	
	office	0	
	TOTAL	120,100	69
	BLDG E-4	BLDG NET AREA (SF)	HOUSING UNIT
	Market housing(2-3FL)	16,000	10
	Market housing(1FL)	8,000	10
	retail	0	
	office	0	
	STRUCTURE PARKING	135,000	
	TOTAL	24,000	20
MARKET HOUSING UNITS			89
STUDENT BED UNITS			189
TOTAL RETAIL		79,400	

Credit for Image: AECOM

LSU

ZONE F (surface parking) 188,200 SF	SURFACE PARKING	BLDG NET AREA (SF)	HOUSING UNIT
	housing	0	0
	retail	0	0
	office	0	0
	SURFACE PARKING	157,000	0
	TOTAL	157,000	0

ZONE F (full build out) 188,200 SF	BLDG F-1	BLDG NET AREA (SF)	BED UNITS
	Student housing	51,000	113
	retail	24,200	0
	office	0	0
	SURFACE PARKING	0	
	STRUCTURE PARKING	180,000	
	TOTAL	255,200	0
	BLDG F-2	BLDG NET AREA (SF)	BED UNITS
	Student housing	41,400	92
	retail	13,800	0
	office	0	0
	TOTAL	55,200	0
	BLDG F-3	BLDG NET AREA (SF)	BED UNITS
	housing	0	0
	retail	16,000	0
	office	48,000	0
	TOTAL	64,000	0

Credit for Image: AECOM