



Ohio Association of College and University Business Officers



## FROM DREAM TO REALITY: PUBLIC/PRIVATE PARTNERSHIPS

PRESENTATION | APRIL 29, 2013

# AGENDA

OACUBO ANNUAL MEETING  
APRIL 29, 2013

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

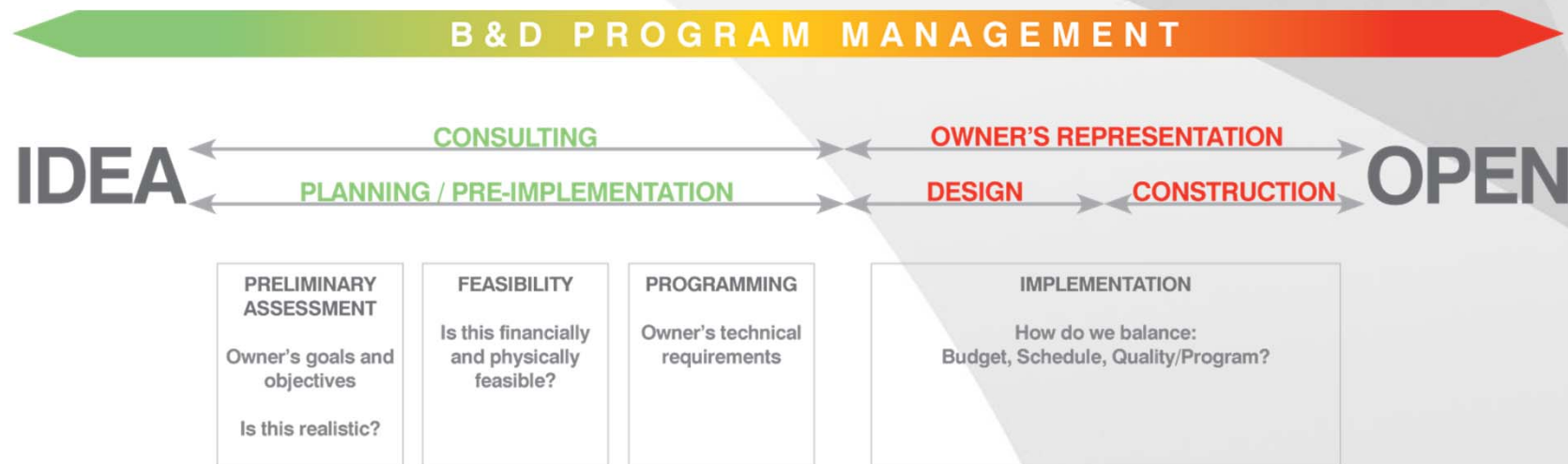




# INTRODUCTION

# INTRODUCTION

BRAILSFORD & DUNLAVEY



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

# AREAS OF EXPERTISE

BRAILSFORD & DUNLAVEY

## SERVICES

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

## PORTFOLIO

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

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

# INTRODUCTION

## PRESENTERS



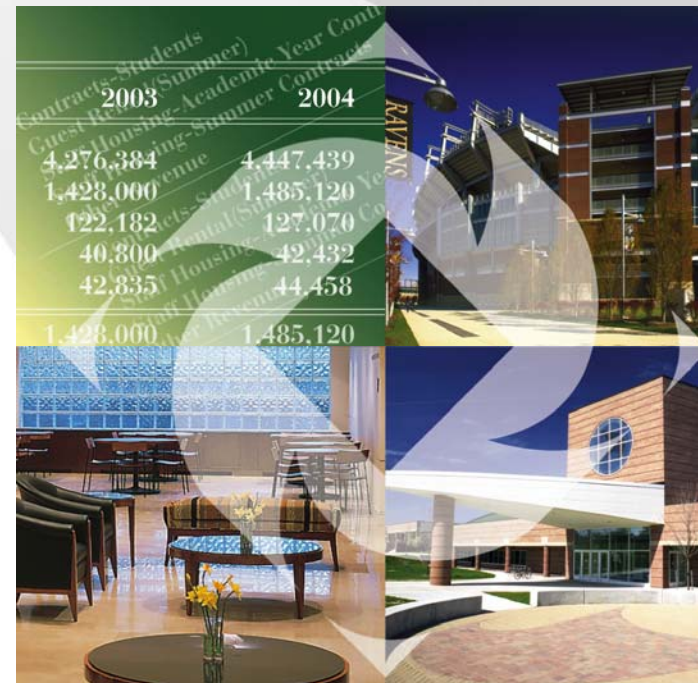
### ◆ Kim Martin

- Senior Project Manager
- 15 years of Higher Education Planning & Operations Experience
- Background in University Administration and Financial Planning



### ◆ Richard Rieth

- Project Analyst
- Background in Real Estate Development, Acquisitions, and Project Finance

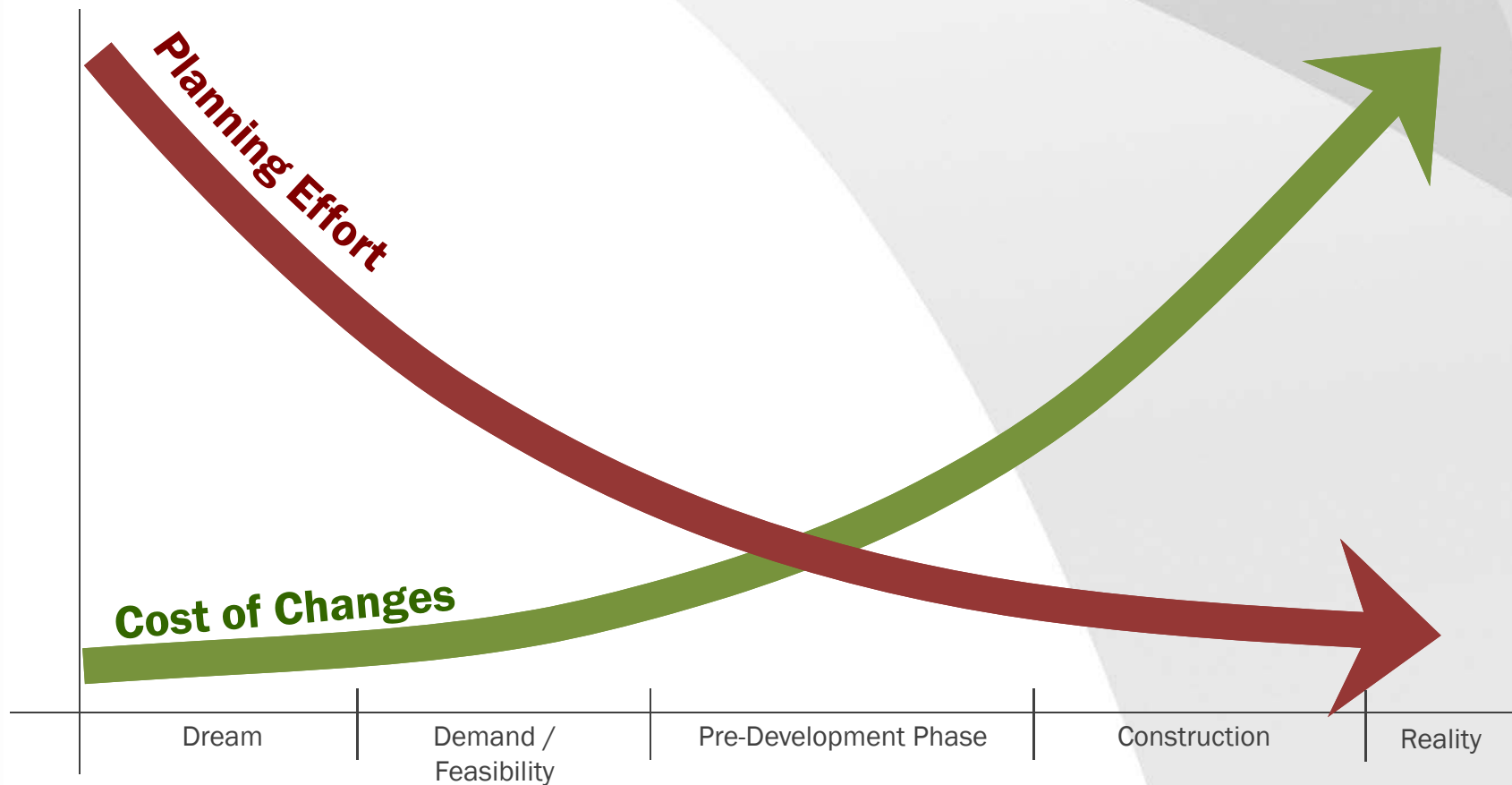




# PROJECT DEVELOPMENT PROCESS

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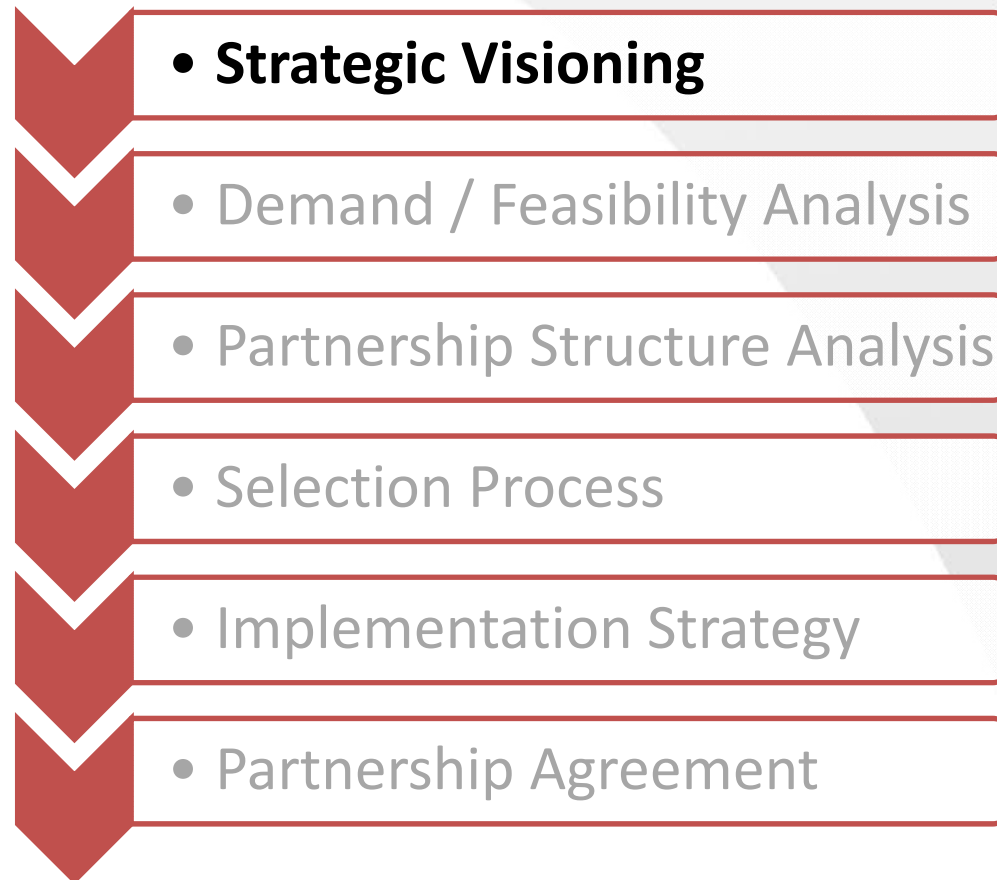
FROM DREAM TO REALITY





# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



# STRATEGIC VISIONING

TARGETED NEW REALITY  
STRATEGIC ASSET VALUE - SAV STORY

## ◆ Educational Outcomes

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

## ◆ Enrollment Management

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

## ◆ Campus Community

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

 Institutional Priorities & Desired Project Outcomes

# STRATEGIC VISIONING

TARGETED NEW REALITY  
STRATEGIC ASSET VALUE - SAV STORY

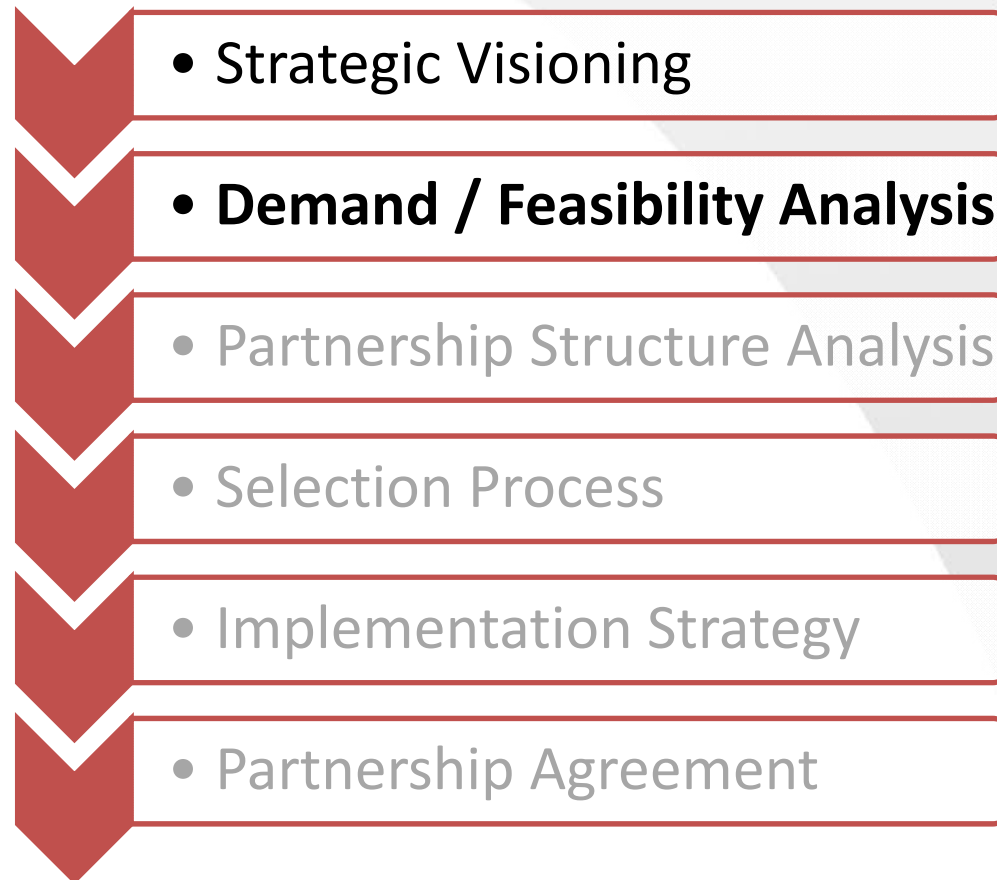
## ◆ Financial Performance

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

 Institutional Priorities & Desired Project Outcomes

# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



# DEMAND / FEASIBILITY ANALYSIS

DEFINING THE POSSIBILITIES

## ◆ Demand

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



➔ What to Build

➔ How Much to Build

# DEMAND / FEASIBILITY ANALYSIS

## DEFINING THE POSSIBILITIES

### ◆ Feasibility

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



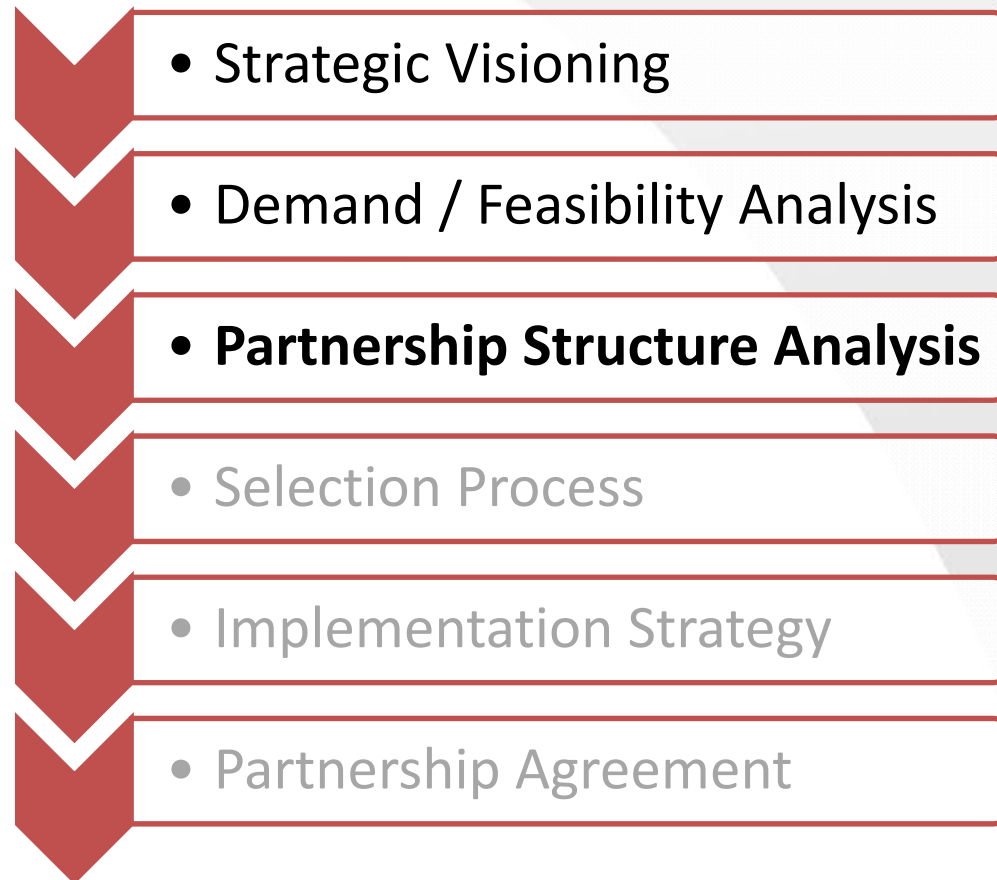
➔ How Much to Charge

➔ Where to Build

➔ When to Built

# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY

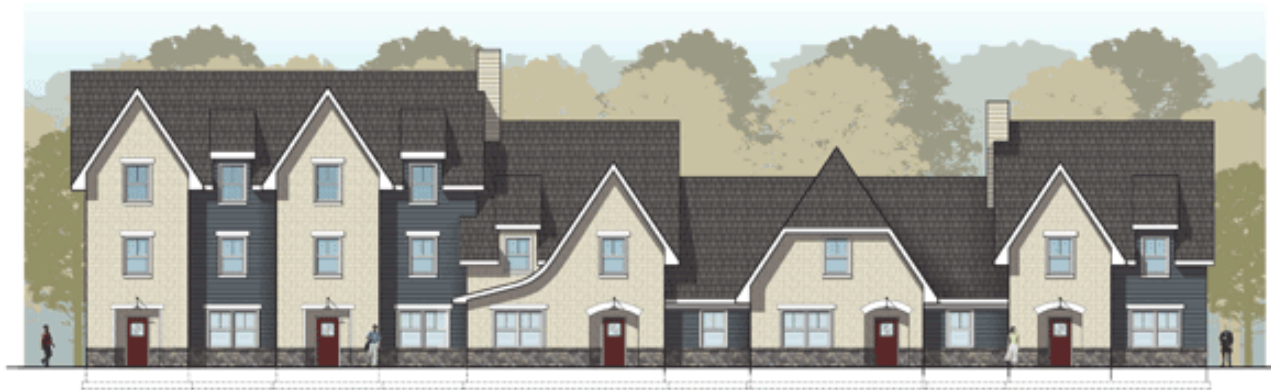


# PARTNERSHIP STRUCTURE ANALYSIS

## WHY PARTNER?

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

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





# PARTNERSHIP STRUCTURE ANALYSIS

## POTENTIAL INSTITUTIONAL NEEDS

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

# PARTNERSHIP STRUCTURE ANALYSIS

## POTENTIAL INSTITUTIONAL NEEDS

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

# PARTNERSHIP STRUCTURE ANALYSIS

## POTENTIAL INSTITUTIONAL NEEDS

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

# PARTNERSHIP STRUCTURE ANALYSIS

## POTENTIAL INSTITUTIONAL NEEDS

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

# PARTNERSHIP STRUCTURE ANALYSIS

## POTENTIAL INSTITUTIONAL NEEDS

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

# PARTNERSHIP STRUCTURE ANALYSIS

## ALTERNATIVE APPROACH TO PROJECT DEVELOPMENT

### 1. Traditional Approach

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

### 2. Affiliated Non-Profit Sponsored Development

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

### 3. Private Development/Unaffiliated

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

# PARTNERSHIP STRUCTURE ANALYSIS

## COMPARATIVE ANALYSIS

	College	Affiliated	Private Developer
<b>Cost of Capital</b>	Lowest	Middle	Highest
<b>Speed of Delivery</b>	Slowest	Closer to Private Developer	Fastest
<b>College Control</b> Program, Operations, Tenants, etc.	Greatest	Need for control; manage the developer	Least
<b>College Risk</b> Delivery, Financing Lease-up, etc.	Greatest Exposure	Some Exposure	Least Exposure
<b>College Financial Impact / Debt Capacity</b>	Greatest Exposure / Opportunity	Some Impact	Least Exposure / Opportunity

 Which structure (or combination) fits your needs and vision?

# PARTNERSHIP STRUCTURE ANALYSIS

## RATING AGENCY INVOLVEMENT

**On Balance Sheet / Credit**

**Off Balance Sheet / Credit**

University commitment to maximum rental rates	—————	No maximum rental rates
Project located on-campus	—————	Project located off-campus
Project essential to University mission	—————	Project small part of advancing mission
Eventual taking of title	—————	No planned title transfer
University receives revenues	—————	Developer retains all revenues
University refers students to project	—————	University has no marketing role
University controls rental rates	—————	Developer controls rental rates
University programming & management	—————	Private programming & management



# PARTNERSHIP STRUCTURE ANALYSIS

ON- OR OFF-CREDIT/BALANCE SHEET?

Ratings agencies consider:

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

Specific Categories:

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



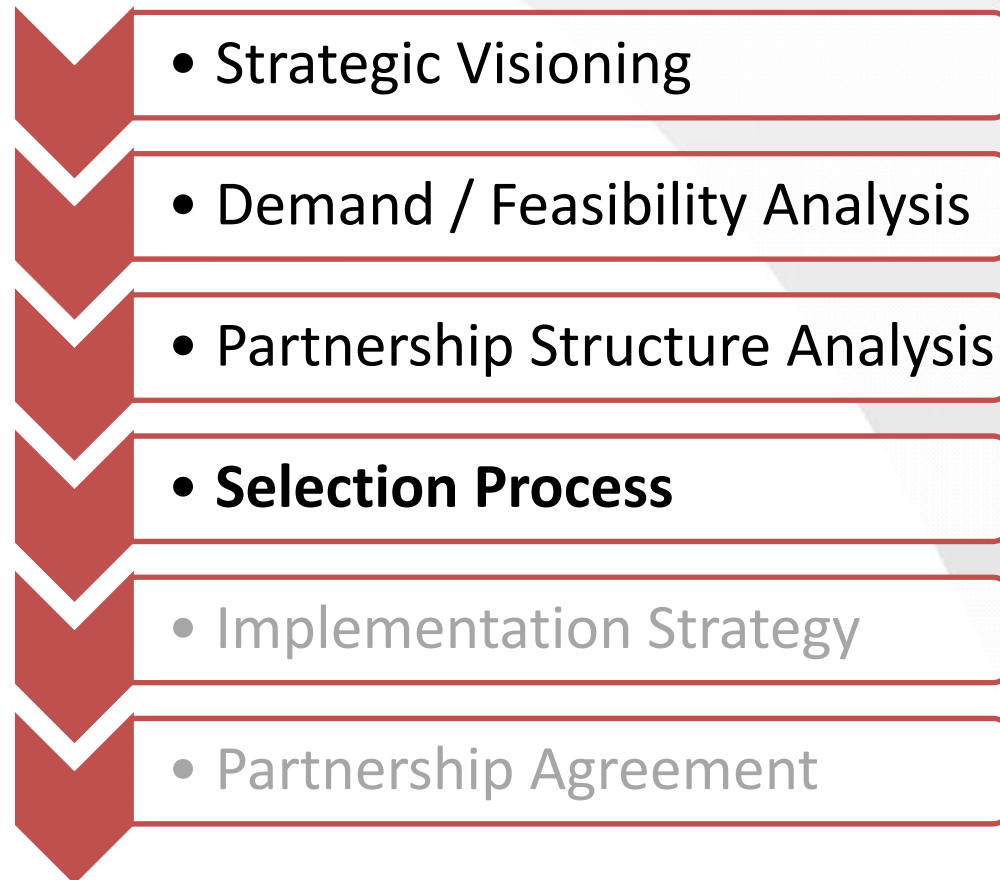
# PROJECT DEVELOPMENT PROCESS

GOING FROM DREAM TO REALITY



# PROJECT DEVELOPMENT PROCESS

GOING FROM DREAM TO REALITY



# SELECTION PROCESS

## SELECTION TOOLS

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

### College

- Confirm interest at a low cost
- Strategy & concept only

### Partner

- Low cost
- Opportunity relationship building

# SELECTION PROCESS

## SELECTION TOOLS

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

### College

- Minimal project planning required
- Reference checks can be conducted

### Partner

- Low cost response

# SELECTION PROCESS

## SELECTION TOOLS

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

### College

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

### Partner

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

# SELECTION PROCESS

## SELECTION TOOLS

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

### College

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

### Partner

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

# SELECTION PROCESS

## SELECTION TOOLS

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

### College

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

### Partner

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



# SELECTION PROCESS

## SELECTION TOOLS

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

### College



- The ultimate reference check!
- Expensive & time consuming

### Partner

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

# SELECTION PROCESS

## OVERVIEW

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

# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



# IMPLEMENTATION STRATEGY

## POTENTIAL SCHEDULE CONSTRAINTS

- ◆ Public Approvals

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

- ◆ Public Funding

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

- ◆ Project Site

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

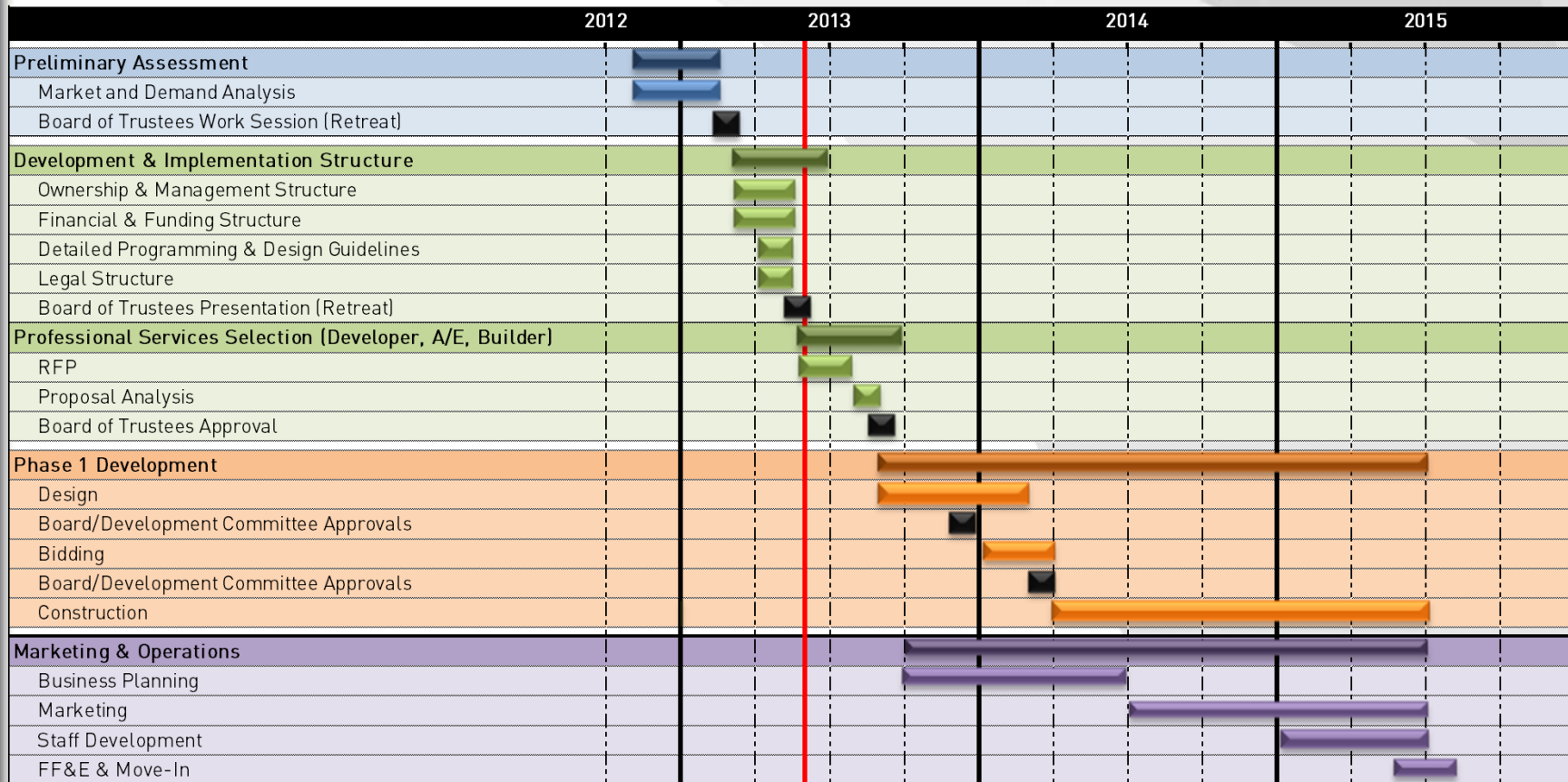
- ◆ Economic Conditions

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



# IMPLEMENTATION STRATEGY

## EXAMPLE IMPLEMENTATION SCHEDULE



# IMPLEMENTATION STRATEGY

## PROJECT DELIVERY OPTIONS

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



➔ Align strategy with institutional needs & vision – don't burden yourself by reviewing items not crucial to you

➔ More up-front planning makes for easier implementation

# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



# PARTNERSHIP AGREEMENT

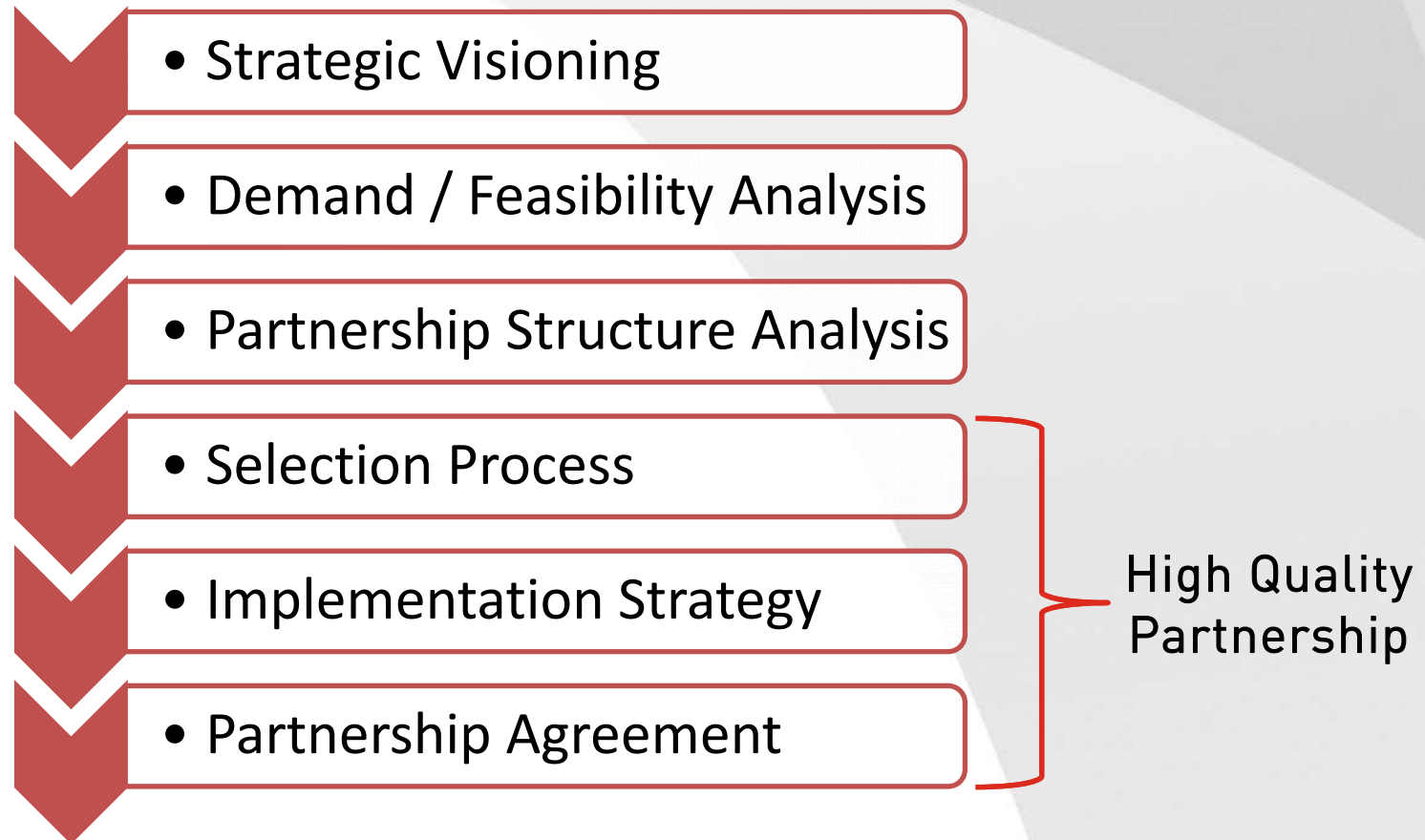
## FINALIZING THE PRE-DEVELOPMENT PROCESS

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



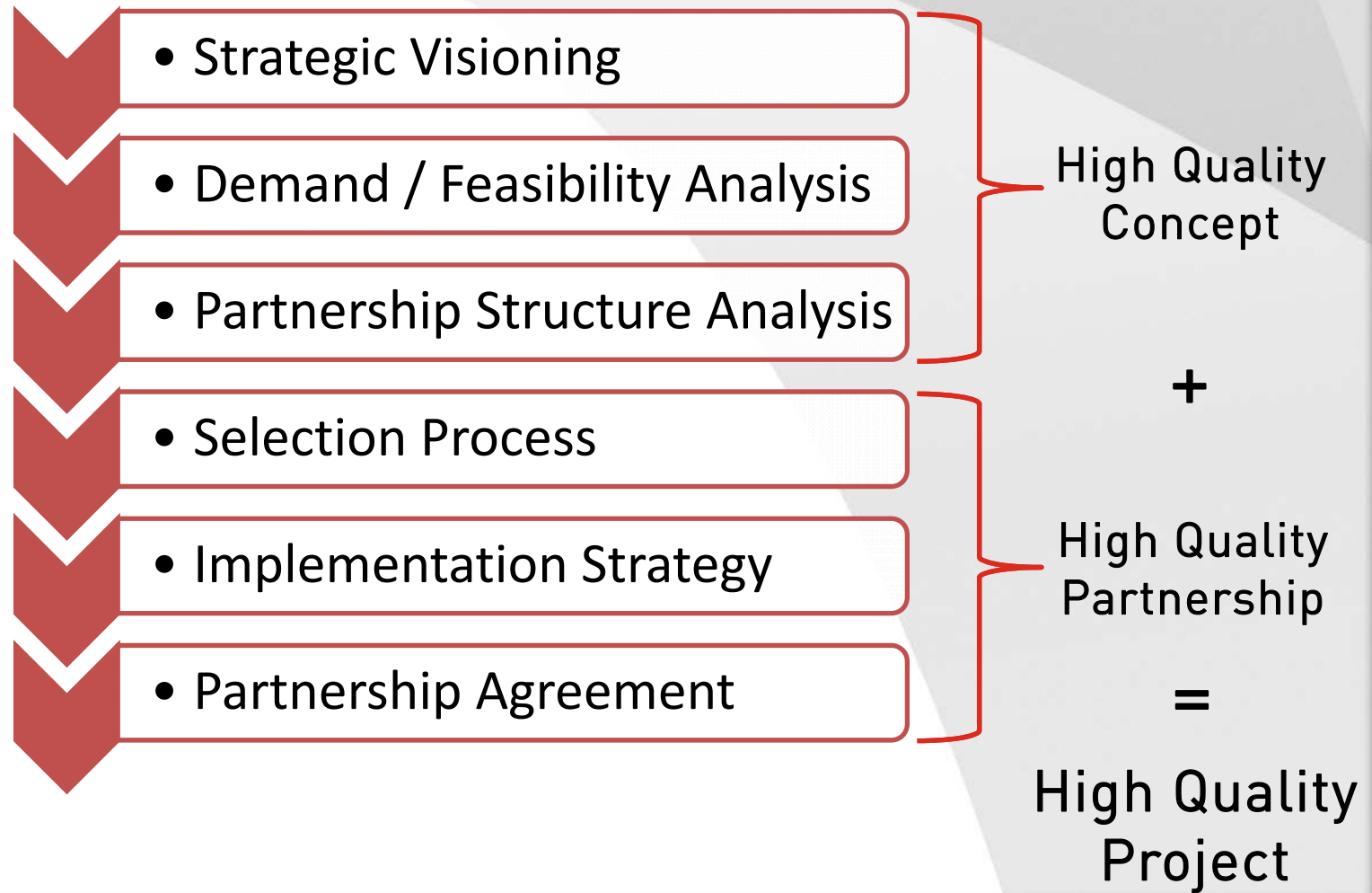
# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY



# PROJECT DEVELOPMENT PROCESS

FROM DREAM TO REALITY





# RISK MITIGATION

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PROTECTING YOUR INSTITUTION

## RISK MITIGATION

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

# RISK MITIGATION

PROTECTING YOUR INSTITUTION

## ◆ Strategic Visioning

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

## ◆ Demand / Feasibility Analysis

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

# RISK MITIGATION

PROTECTING YOUR INSTITUTION

## ◆ Partnership Analysis

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

## ◆ Selection Process

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

# RISK MITIGATION

PROTECTING YOUR INSTITUTION

## ◆ Implementation Strategy

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

## ◆ Partnership Agreement

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



# Q&A





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## FROM DREAM TO REALITY: PUBLIC/PRIVATE PARTNERSHIPS

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