

Leases for Student Housing – Fayetteville State University

The Board of Trustees of Fayetteville State University has requested permission to modify a lease approved in 2007 and to enter into a new lease to acquire additional student housing.

Lease Modification: With approval from the Board of Governors and the Council of State in 2006 and 2007, Fayetteville State University is currently leasing 341 student residential beds at University Place Apartments (UPA). UPA is owned by the Fayetteville State University Housing Foundation, LLC, a special purpose entity created by the Fayetteville State University Foundation. In 2006, FSU leased 190 beds and 151 beds were added in 2007. At this time, Fayetteville State University requests approval to modify the previously approved lease of 341 beds to a new term of ten years with one, five-year renewal option and a new lease amount that will not exceed \$5,200 per bed per year (two semesters) but will include an allowable per year increase that will not exceed the consumer price index. The modification of the existing lease will allow existing debt to be refinanced with significant savings in the cost of debt service. FSU students living on campus will benefit from the savings.

New Lease: FSU requests approval to lease no more than ten acres of State land to the Fayetteville State University Housing, LLC for the purpose of constructing student housing. FSU also requests approval to enter into a long-term lease to acquire approximately 350 beds of student housing from the Fayetteville State University Housing, LLC when construction is complete. The projected annual lease payment (consisting primarily of debt service plus incidental expenses such as the annual audit) is estimated to be \$2.6 million per year. The cost charged to students would be consistent with the current rate structure for comparable FSU housing. Lease payments would be funded from student housing receipts. This project is part of FSU's Campus Master Plan.

The additional beds will allow Fayetteville State University to replace Vance Residence Hall. Built in the 1960s, Vance Hall does not conform to current life safety code requirements or student expectations for collegiate housing. While Vance Hall is equipped with functioning smoke and fire alarms, structural issues prevent the building from being retrofitted with fire sprinklers and other life safety code measures. FSU's Chancellor and Board of Trustees have a goal of increasing retention and graduation rates at FSU to levels achieved at other comparably competitive institutions. The replacement of Vance Hall will enhance recruitment strategies that target and attract undergraduate students with a high probability of completing a degree, while continuing FSU's commitment to access, affordability, and diversity. Improved residential space will also entice a larger percentage of FSU students to live on campus.

The lease of state land and the lease of the beds will be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and will be subject to approval by the Council of State.

It is recommended that the request from Fayetteville State University be approved and transmitted to the Council of State for final action.

RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE
CONSTRUCTION AND LEASING OF PRIVATE HOUSING FACILITIES AT
FAYETTEVILLE STATE UNIVERSITY.