Appalachian State Innovation District

Board of Governors Meeting
July 2022

▪ The Innovation District is located on the site of the former Broyhill Conference Center, within the University’s Millennial Campus boundary.

▪ Development of the Innovation District was contemplated in App State’s 2025 Campus Master Plan, and the University completed an Innovation District Master Plan in December 2021.

▪ The Innovation District will bring together multiple disciplines and research centers – connected to sustainable infrastructure systems – to support regional economic development, enhance teaching and research, and establish App State as a national leader in sustainability and resilience strategies.

▪ App State selected development partners Radnor Property Group and Harrison Street through a competitive solicitation process to deliver an integrated Phase 1 concept for the District.
Innovation District Phase 1 Concept

- Academic Facility ($54M by State Appropriation)
  - Academic building will be called Conservatory for Biodiversity Education and Research (CBEaR).
  - Will also include cross-disciplinary collaboration space and encourage K-12 partnership.
  - Utilizes state funding and SCO standards.

- Faculty and Staff Housing (~$29M P3 funding)
  - ±150 units of faculty and staff housing.
  - Helps University compete for faculty and staff amid housing scarcity and cost inflation in Boone.
  - University contributes no capital.

- District Energy System (~$17M P3 funding)
  - Zero-carbon energy system that begins campus transition away from steam.
  - Establishes national example for sustainable solutions, enables ambitious future certification.
  - University contributes no capital.

Process & Partner Selection

INNOVATION DISTRICT

- Competitive procurement process:
  - Request for Qualifications: (October-November 2021)
  - Request for Proposals (December 2021-March 2022)

- Selection of integrated team led by Radnor Property Group and Harrison Street:
  - Radnor & Harrison Street will design, build, finance, operate, and maintain the housing and energy assets.
  - Radnor will collaborate to manage the design and construction of the Academic Facility (CBEaR).

Radnor Property Group
- Founded in 1999 / 35+ years experience
- $3B projects completed / $1B in P3 space
- Partnerships with 25 Higher-Ed Institutions in Last 10 Years

Harrison Street
- 45+ Years investing in clean energy infrastructure
- 50 clean energy assets since 2018
- Leadership Team with $15 billion in transactions for over 40GW of power assets

Innovation District will be 6th Joint Venture between Radnor & Harrison Street
Conservatory for Biodiversity Education and Research

INNOVATION DISTRICT

- Phase 1 academic building (state funded)
- Department of Biology teaching and research facility
- 50,000 SF facility including botanical conservatory, research labs, auditorium, classrooms and support spaces
- Link between campus and regional community through education, research and outreach
- Targeted opening in Fall 2025
- Architect has been selected

Faculty & Staff Housing

INNOVATION DISTRICT

- Demand for 300+ housing units identified in the University's housing survey. University losing talent from lack of attainable housing options.
- Transfers risk while addressing a critical need for App State, outside core mission of teaching and research.
- High-quality, financially accessible housing is not available for professionals moving to Boone. Rental market is focused almost exclusively on student housing.
- P3 will provide housing on-campus with below-market rents for faculty and staff.
**District Energy System**

**INNOVATION DISTRICT**

- **Background**
  - Innovation District lacks energy generation and sufficient distribution to meet the needs of planned buildings.
  - Carbon zero, renewable, and resilient district system, utilizing proven technologies in innovative configuration.
  - 10+ Public University P3s

- **System Overview**
  - On-site renewable energy generation from state-of-the-art technologies being considered, including wind, rooftop solar, anaerobic digester.
  - Flexible, modular system that can accommodate new technologies as district grows.
  - Operational and financing risk transfer for the maintenance, continued investment and operations of the district energy system.

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**District Energy System**

**INNOVATION DISTRICT**

- **Integrated Delivery**
  - Designing and delivering all projects concurrently reduces capital expense for each (only “moving earth” once).
  - Designing Housing and Conservatory to harmonize utility utilization.

- **Commercially Viable Outcome**
  - Zero Carbon System
  - Innovative Solutions & Sustainability Leadership
  - Cost comparable to traditional approach

- **Value Proposition**
  - Predictable payments
  - Avoided capital investment
  - Access to tax credits & incentives
  - Avoided lifecycle capital reinvestment

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**APPENDIX A**

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Pre-Development Letter of Intent

INNOVATION DISTRICT

- App State desires to execute a Letter of Intent (LOI) with Radnor & Harrison Street, which will allow the parties to continue to refine the projects’ design and negotiate material deal terms prior to financial close.
  - This will avoid delays and allow App State to deliver Phase 1 of the Innovation District as quickly and efficiently as possible
  - BOG will separately approve the Definitive Agreements following negotiations.
- In a typical P3 transaction, the University and the Developer enter into a pre-development agreement early in the negotiation process to establish basic parameters of the relationship between the parties and their respective obligations.
- Under the terms of the LOI, Radnor and Harrison Street will front all pre-development costs for Housing and Energy through BOG approval, up to $1.15M.
- University would be responsible for predevelopment costs expended in case of Termination for Convenience until BOG approval.

Additional Information
## System and Campus Strategic Priorities

### INNOVATION DISTRICT

<table>
<thead>
<tr>
<th>Academic Excellence</th>
<th>Conservatory</th>
<th>P3 Energy</th>
<th>P3 Housing</th>
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</thead>
<tbody>
<tr>
<td>Enhance STEM assets preparing students for in-demand jobs</td>
<td>Cost efficiency through concurrent development with P3 projects.</td>
<td>Address enterprise risk related to rising energy costs. Transfer capital and operating risk to third-party.</td>
<td>Address critical University need while preserving capital and debt capacity for mission-central assets.</td>
</tr>
<tr>
<td>Excellent &amp; Diverse Institutions</td>
<td>Elevate App State’s bioscience and sustainable technology programs, Build cutting-edge teaching and research facility in rural NC. Create “living lab” for students and faculty.</td>
<td>Create a vehicle for sustainable technology renewable energy research, with potential for DOE grants.</td>
<td>Help recruit top faculty to support students and ensure App State degrees are valuable in the market.</td>
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<tr>
<td>Financial Resources</td>
<td>Solidify App State’s position as a leader in sustainable technologies.</td>
<td>Help recruit and retain at talented workforce in a challenging housing market.</td>
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<tr>
<td>Sustainability &amp; Resiliency</td>
<td>Connect to a zero-carbon energy system and design to ambitious sustainability standards.</td>
<td>Address enterprise risks related to rising energy costs. Utilize private funds and transfer operating risk to third party. Absorb some costs from Conservatory, stretching state funds.</td>
<td>Address critical University need while preserving capital and debt capacity for mission-central assets.</td>
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<tr>
<td>App State Bridge Strategic Plan 2021-2025</td>
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</table>

### Transaction Structure – P3 Housing

**INNOVATION DISTRICT**

A non-profit owns and operates faculty and staff housing for the benefit of the University.

Radnor and Harrison Street are repaid through bond payments & excess cash flow.

University receives a portion of excess cash flow.

**Risks Transferred:**
- Design
- Construction
- Financing
- Operations
- Maintenance

**Development Agreement**
- 501(c)3 issues taxable bonds to fund project
- Radnor-HS JV purchases bonds

**Management Agreement**
- Property Manager Greystar

**Architect** Nelson
**Construction Manager** Buildtech
**Civil Engineer** Bohler

**Equity Investor**
- Radnor-Harrison Street Joint Venture
Transaction Structure – P3 District Energy System

INNOVATION DISTRICT

**Risks Transferred:**
- Design
- Construction
- Financing
- Operations
- Maintenance

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- **Appalachian State**
- **Radnor-Harrison Street JV**

**Energy Services Agreement**

**District Energy System Owner**

**Development Agreement**

**Management Agreement**

**Operations & Maintenance Manager**

**TBD**

**Radnor Property Group**

**Design & Construction**

**TBD**

Radnor & Harrison Street own and operate the energy infrastructure for the benefit of the University.

App State repays investment through payments for energy usage over time.

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