



AGENDA ITEM

B-4. Authorization of Predevelopment Agreement – UNCW Rick Whitfield

Situation: University of North Carolina Wilmington requests that the Board of Governors authorize UNCW to enter into a predevelopment agreement with Balfour Beatty Campus Solutions (the Developer) in connection with a project to redevelop student housing facilities. This project includes the development of approximately 1,800 beds and the construction of related parking facilities on UNCW's Millennial Campus.

Background: The Board of Governors is authorized under §116-198.34 to (1) designate real property held by a constituent institution as a Millennial Campus of the institution, (2) to provide for the acquisition and construction of projects located on the Millennial Campus, and (3) to enter into contracts and agreements related to the acquisition and construction of such projects.

At UNCW's request, the Board previously designated a portion of UNCW's campus as a Millennial Campus to facilitate the development of a new student housing village. UNC Wilmington conducted a competitive selection process which included a request for qualifications followed by requests for proposals to solicit public-private partnership proposals for the development of the project. Based on the results of that process, UNCW determined that, when compared to UNCW's traditional delivery and financing options, a public-private partnership model would deliver additional value and savings to UNC Wilmington, reduce the time frame for project delivery, and lower student rental rates necessary to support the project.

The Board previously authorized UNCW to enter into a predevelopment agreement with the Developer under which UNCW would be responsible for up to \$373,500 of the Developer's advance planning costs (including design work, testing, research, and limited site development) prior to the negotiation and approval of the ground lease. UNCW now seeks the Board's authorization to enter into a predevelopment agreement to advance the project's design and development plans through financial close.

Assessment: UNCW would be responsible for no more than half of the Developer's advance planning costs through financial close, unless UNCW determines that it is in its best interests to unilaterally terminate the predevelopment agreement without cause, in which case UNCW may be responsible for the full amount of the Developer's advance planning costs through the date of termination in an amount not to exceed \$6,902,072. UNCW would be responsible for its share of such costs only if the project failed to move forward. If the project reaches financial close, all predevelopment costs would be financed from the proceeds of the financing to be provided by the nonprofit owner of the project. UNCW will request Board approval of the ground lease's terms and conditions once those terms have been finalized.

APPENDIX J

Action:

This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

UNCW Student Village

Pre-Development Agreement Discussion

Presented to the UNC Board of Governors
Miles Lackey, Vice Chancellor for Business Affairs
May 2018



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Project Background

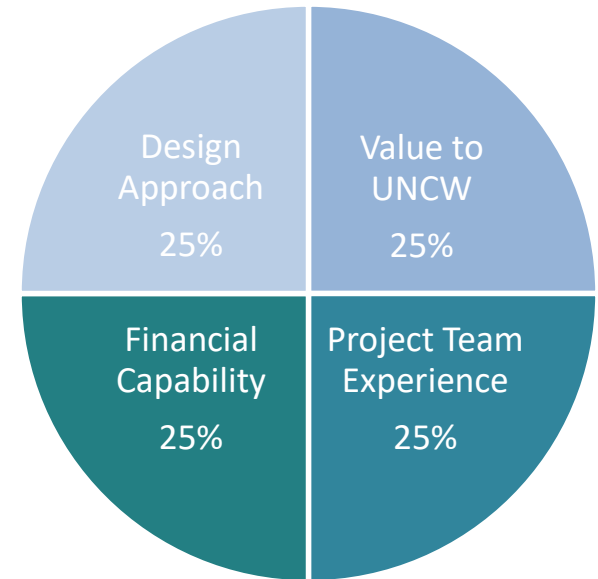
Target Area Existing Conditions



- Planning Process
 - Housing Master Plan completed in 2017
 - 1,587 students completed the housing survey
- Student Housing Needs
 - Projected 1,386-bed housing shortage by Fall 2021
 - Existing unit configurations are misaligned with market
- Opportunity
 - Deliver a dynamic new student village featuring pod-style and suite-style unit configurations
 - Remove University Apartments to better align supply with demand

Due Diligence Process

- **Request for Qualifications (RFQ)**
 - Timeframe: Issued July 2017
 - Objective: Solicit responses from experienced P3 development firms
 - Outcome: Nine (9) submittals received; five (5) firms were short-listed
- **Request for Proposals (RFP)**
 - Timeframe: Issued Sept. 2017
 - Objective: Provide detailed objectives and specifications that would allow UNCW to evaluate design and deal options
 - Outcome: Two firms selected for negotiation
- **Best and Final Offers (BAFO)**
 - Timeframe: Dec. 2017 through Feb. 2018
 - Objective: Maximize value by engaging directly with finalists
 - Outcome: Balfour Beatty Campus Solutions



UNCW 6-Member Selection Team	2 – Housing & Residence Life 2 – Finance 2 – Facilities
Advisors	UNCW General Counsel UNCW Procurement Brailsford & Dunlavey First Tryon Advisors Bryant, Miller, Olive



Project Concept



Value Assessment: Schedule & Cost

Transaction Structure	BBCS Proposal	UNCW Self-Develop
Delivery Method	Public-Private Partnership	Construction Manager at Risk
Financing Structure	501(c)3 Tax-Exempt Bonds	UNCW General Revenue Bonds
Program	BBCS Proposal	UNCW Self-Develop
Unit Types	Pods/Semi-Suites	Pods/Semi-Suites
Phase I Total Beds	770	770
Phase I Delivery Year	Fall 2020	Fall 2022
Phase II Total Beds	1,020	1,020
Phase II Delivery Year	Fall 2021	Fall 2023
Total Beds	1,790	1,790
Total Residential Square Feet	449,598	449,598
Project Costs	BBCS Proposal	UNCW Self-Develop
Total Construction Cost	\$108,075,395	\$145,758,471
Soft Cost*	\$35,148,066	\$23,209,877
<i>Developer Fees</i>	\$4,117,859	\$0
<i>501c3 Owner Fees</i>	\$200,000	\$0
Total Financing Costs	\$23,699,392	\$834,315
Total Project Cost	\$143,223,461	\$168,968,348
Total Project Cost Per Bed	\$80,013	\$94,396
*Includes all design and financing costs.		



Value Assessment: Financing / Rates

Project Financing / Operations	BBCS Proposal	UNCW Self-Develop
Interest Rate	4.62%	3.82%
Financing Term	40 years	30 years
Housing Debt Service (Year 3)	\$6.9 million	\$9.4 million
Target Debt Coverage Ratio (DCR)	1.20x	1.10x
Operating Expenses Per Square Foot	\$12.52	\$12.47
Annual Reserves Per Bed (2020)	\$218	\$218
Financial Projections	BBCS Proposal	UNCW Self-Develop
Market-Tested Effective Rental Rate	\$3,970	\$3,970
Projected DCR at Tested Rates	1.21x	0.98x
Effective Rate Required to Achieve Target	\$3,969	\$4,305



Pre-Development Agreement Overview

- The Developer will front all advance planning costs, which will be repaid by the 501c3 owner from bond proceeds at financial close.
- The Board previously authorized UNCW to be responsible for up to \$373,500, which represented 50% of advance planning costs through May 2018.
- The full amount of advance planning costs through financial close will total up to \$6,902,072.
- UNCW will be responsible for 50% of the developer's advance planning costs unless UNCW unilaterally terminates the agreement for convenience.
- In the event of termination of the PDA, UNCW will receive rights to the Work Product upon payment of the developer's advance planning expenses.

Predevelopment Budget - Phases I and II					
	To Date	Q2 2018	Q3 2018	Q4 2018	Total
Total	\$751,500	\$751,767	\$2,665,053	\$2,733,754	\$6,902,074
UNCW Share	\$373,500	\$378,133	\$1,332,527	\$1,366,877	\$3,451,037



Value Proposition

<u>Project Goals & Objectives</u>	<u>Proposed P3 Project</u>	<u>Rationale</u>
Limit the project's financing impact to the University and preserve debt capacity	✓	Project-finance structure and off-balance sheet treatment may reduce financing impact
Maintain student affordability by keeping rates as low as possible	✓	Faster project delivery and longer amortization period allow for lower rental rates
Leverage private sector expertise and efficiencies to reduce project costs	✓	Experienced development team utilizes industry knowledge and national presence to provide lower costs
Develop a comprehensive solution for meeting UNCW's long-term housing needs	✓	Large-scale, multi-phase approach enables an efficient and holistic development approach
Accelerate delivery time period so as to limit impact of rising construction costs	✓	Structure shifts portion of delivery risk to private sector and reduces timeframe for completion



Campus Action Request

Section 1. *Authorization of the Pre-development Agreement.* The authority to enter into a Pre-development Agreement with BBCS is hereby ratified and confirmed and the authorization to execute and deliver the Pre-development Agreement is hereby delegated to the Chancellor of UNCW, or in the Chancellor's absence, the Chancellor's designee. The form and content of such Pre-development Agreement shall be in a form acceptable to the Chancellor, or in the Chancellor's absence, the Chancellor's designee, (the "*Authorized Officer*"). The authorization to enter into the Predevelopment Agreement is limited such that UNCW may not be responsible for more than one half of the predevelopment budget through financial close, except in the case that UNCW unilaterally terminates the Pre-development Agreement for its convenience, in which case UNCW may be responsible for the full amount of pre-development expenses incurred by BBCS through the date of termination not to exceed \$6,902,072.



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P3 Project Deal Structure

