



MEETING OF THE BOARD OF GOVERNORS  
Committee on Budget and Finance

October 9, 2018 at 12:00 p.m.  
University of North Carolina System Office  
Center for School Leadership Development, Board Room  
Chapel Hill, North Carolina

**AGENDA**

**OPEN SESSION (Jointly with the Committee on Audit, Risk Management, and Compliance)**

A-1. Motion to enter Closed Session..... William Webb

**CLOSED SESSION (Jointly with the Committee on Audit, Risk Management, and Compliance)**

A-2. ECU Update..... Sara Thorndike

**OPEN SESSION**

A-3. [Approval of the July 26, 2018 Minutes](#) ..... Temple Sloan

A-4. [2017-18 Annual Report of the Committee on Budget and Finance](#) ..... Clinton Carter

A-5. [Capital Improvement Projects – Appalachian, NC State, UNC-Chapel Hill, and UNC Charlotte](#) ..... Clinton Carter

A-6. [Acquisition of Property by Lease – NC State](#) ..... Clinton Carter

A-7. [Acquisition of Property by Lease and Disposition by Sublease – UNC-Chapel Hill](#) ..... Clinton Carter

A-8. [Authorization of Ground Lease – Appalachian](#) ..... Paul Forte

A-9. [Millennial Campus Expansion Request – Appalachian](#) ..... Paul Forte

A-10. [Authorization of Predevelopment Agreement – NCCU](#) ..... Akua Matherson

A-11. [Millennial Campus Designation – NCCU](#) ..... Akua Matherson

A-12. [Approval of Establishment of For-Profit Associated Entity – UNC-Chapel Hill](#) ..... Clinton Carter

A-13. [Discussion of 2018-19 Plan of Work](#) ..... Temple Sloan and Clinton Carter

A-14. Adjourn



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### OPEN SESSION

A-3. Adjourn

**DRAFT MINUTES**

July 26, 2018

University of North Carolina System Office  
Center for School Leadership and Development, Board Room  
Chapel Hill, North Carolina

This meeting of the Committee on Budget and Finance was presided over by Chair Temple Sloan. The following committee members, constituting a quorum, were also present in person or by phone: Darrell Allison, Carolyn Coward, Tom Fetzer, Jim Holmes, Marty Kotis, and Bob Rucho.

Chancellors participating were Harold Martin and Randy Woodson. Chancellor Phil Dubois was absent.

Staff members present included Nathan Knuffman and others from the UNC System Office.

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**1. Call to Order and Approval of OPEN Session Minutes (Item A-1)**

The chair called the meeting to order at 12:05 p.m. on Thursday, July 26, 2018, and called for a motion to approve the open session minutes of May 22 and May 23, 2018.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the open session minutes of May 22 and May 23, 2018, as distributed.

**Motion:** Jim Holmes

**Motion carried**

Chair Sloan adjusted the agenda items to allow time for other UNC Board of Governors members attending prior committee meetings to join.

**2. Authorization of Ground Lease – UNC Wilmington (Item A-4)**

Nathan Knuffman introduced Brad Noyes, executive vice president of Brailsford and Dunlavey, and Miles Lackey, vice chancellor for Finance and Administration & CFO of UNC Wilmington, to present a request to enter into a ground lease and related agreements in connection with the development of approximately 1,800 beds and related parking and dining facilities on UNC Wilmington's Millennial Campus.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the request by UNC Wilmington for authorization of ground lease and recommend it to the full Board of Governors for a vote.

**Motion:** Jim Holmes

**Motion carried**

### **3. Millennial Campus Expansion Request – ECU (Item A-5)**

Mr. Knuffman introduced Sara Thorndike, vice chancellor for Administration & Finance of East Carolina University, to present the request for expansion of ECU's Millennial Campus to include three additional areas (comprising nine parcels of land and one road closure). This expansion would increase opportunities for public-private partnerships and regional economic development.

**MOTION:** Resolved, that the Committee on Budget and Finance approve ECU's expansion request of the Millennial Campus and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Jim Holmes

**Motion carried**

### **4. 2018-19 Operating Budget Allocations – UNC Charlotte (Item A-2)**

Mr. Knuffman presented the proposed 2018-19 operating budget allocations including funds for compensation increases for EHRA and SHRA employees and management flexibility reductions.

**MOTION:** Resolved, that the Committee on Budget and Finance approve compensation increases and recommend them to the full Board of Governors for a vote.

**Motion:** Jim Holmes

**Motion carried**

**MOTION:** Resolved, that the Committee on Budget and Finance approve the management flexibility reductions and recommend them to the full Board of Governors for a vote.

**Motion:** Jim Holmes

**Motion carried**

The chair requested that the minutes reflect that Mr. Kotis voted nay.

### **5. 2018-19 Capital Improvement Budget Allocations (Item A-3)**

Mr. Knuffman presented 2018-19 Capital Improvement Budget Allocations which included two options for allocation of the Repair and Renovation appropriation of \$32,399,465. The committee approved the capital improvement budget allocations, including version two of the Repairs and Renovations allocation.

**MOTION:** Resolved, that the Committee on Budget and Finance approve 2018-19 Capital Improvement Budget Allocations and recommend it to the full Board of Governors for a vote.

**Motion:** Darrell Allison

**Motion carried**

**6. Capital Improvement Projects – N.C. A&T, NC State, UNC-Chapel Hill, UNC Charlotte, UNCSA, and WSSU (Item A-6)**

Mr. Knuffman introduced six capital improvement projects from N.C. A&T, NC State, UNC-Chapel Hill, UNC Charlotte, UNCSA, and WSSU, including nine capital improvement projects: one project for advance planning, seven new projects for authority, and one project for increased authorization.

Upon approval, these projects will be reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**MOTION:** Resolved, that the Committee on Budget and Finance approve the capital improvement projects at N.C. A&T, NC State, UNC-Chapel Hill, UNC Charlotte, UNCSA, and WSSU and recommend them to the full Board of Governors for a vote through the consent agenda.

**Motion:** Tom Fetzner

**Motion carried**

**7. Authorization of Replacement Lines of Credit – UNC-Chapel Hill (Item A7)**

Mr. Knuffman presented UNC-Chapel Hill's request to enter into two line of credit agreements to replace an existing line of credit with Wells Fargo Bank, National Association.

**MOTION:** Resolved, that the Committee on Budget and Finance approve UNC-Chapel Hill's request for authorization of replacement lines of credit and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Jim Holmes

**Motion carried**

**8. Disposition of Property by Easement– NCCU (Item A-8)**

Mr. Knuffman presented North Carolina Central University's request for authorization to dispose of property by granting of easements along N. Alston Avenue, creating a transit corridor. Donation of the easements will facilitate the construction of the Durham-Orange Light Rail Transit System and will be counted as a match to assist GoTriangle in securing federal matching dollars.

With Board approval, final action will be required by NC Council of State.

**MOTION:** Resolved, that the Committee on Budget and Finance approve NCCU's request for disposition of property by easement and recommend it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Jim Holmes

**Motion carried**

The chair requested that the minutes reflect that Dr. Rucho voted nay.

## 9. Acquisition of Property by License – UNC-Chapel Hill (Item A-8)

Mr. Knuffman presented UNC-Chapel Hill's request for authorization to dispose of property by granting of easements at various locations on campus, creating a transit corridor. Donation of the easements will facilitate the construction of the Durham-Orange Light Rail Transit System and will be counted as a match to assist GoTriangle in securing federal matching dollars.

With Board approval, final action will be required by NC Council of State.

**MOTION:** Resolved, that the Committee on Budget and Finance approve UNC-Chapel Hill's request for disposition of property by easement and recommends it to the full Board of Governors for a vote through the consent agenda.

**Motion:** Jim Holmes

**Motion carried**

The chair requested that the minutes reflect that Dr. Rucho voted nay.

There being no further business, the meeting adjourned at 1:20 p.m.

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Carolyn Coward, Secretary

## AGENDA ITEM

A-4. 2017-18 Annual Report of the Committee on Budget and Finance..... Clinton Carter

<b>Situation:</b>	Each standing committee submits an annual report of its activities to the Board of Governors.
<b>Background:</b>	Under the UNC Policy Manual, Section 302 E of <i>The Code</i> , "Each standing committee shall make a written report to the Board of Governors at least annually, reviewing the work of the committee during the preceding year."
<b>Assessment:</b>	The Annual Report on the activities of the Committee on Budget and Finance for fiscal year 2017-18 is ready for review and submission.
<b>Action:</b>	This item requires a vote by the committee to adopt the report for submission to the Board of Governors.

## DUTIES AND MEMBERSHIP

The Committee on Budget and Finance advises and consults with the president and the chair of the Board of Governors concerning budget policy and preparation; considers the budget proposed by the president, recommends modifications if needed, and approves the budget for consideration by the Board; makes recommendations to the Board for allocation of funds appropriated by the General Assembly; works with the Committee on Educational Planning, Policies, and Programs to ensure the proper funding of strategic objectives; and submits recommendations to the Board with respect to capital improvement projects, institutional borrowings, and property transactions, as well as other budgetary and financial matters within the jurisdiction of the Board of Governors. This report summarizes the work of the committee from July 2017 through June 2018.

The Committee on Budget and Finance was composed of the following members: Walter C. Davenport, Carolyn L. Coward, Kellie Hunt Blue, Thomas H. Fetzer, Robert “Bob” Rucho, Harry L. Smith, Jr., and O. Temple Sloan III. Mr. Sloan served as chair, Mr. Davenport served as vice chair, and Mrs. Coward served as secretary.

Chancellor Harold Martin (N.C. A&T) and Chancellor Carol Folt (UNC-Chapel Hill) were assigned to the committee.

## ACTIONS

The Committee on Budget and Finance met seven times between July 1, 2017 and June 30, 2018. The major actions of the committee are summarized as follows:

### BUDGETS and ALLOCATIONS/TUITION and FEES

During the year, the committee made specific recommendations for consideration by the Board related to budget requests, allocations of funds, and adjustments of tuition and fee rates.

#### 2017-18 Enrollment Funding Allocation:

The committee recommended the enrollment funding for FY 2017-18 as based on actual enrollment. The General Assembly fully funded the request by appropriating \$46,571,112 for 2017-18 and an additional \$48,163,406 for 2018-19. A special provision guiding the enrollment funding allocation required fall enrollment to be verified at census, which occurred ten days into the academic semester.

#### Authorization of Tuition for 2018-19:

G.S. 116-143 requires that the Board of Governors of the University of North Carolina System fix the tuition and fees, not inconsistent with the actions of the General Assembly, at the constituent institutions of the UNC System. The Board of Governors recommended no tuition increases for undergraduate resident students.



**Authorization of Fees for 2018-19:**

The 2016 General Assembly enacted a provision that capped mandatory student fee increases (including debt service fees) to three percent per year. The Committee on Budget and Finance recommended an average 1.3% increase for mandatory fees. The committee also recommended a number of application fees and special fees at several institutions.

**2018-19 Budget Priorities:**

The committee recommended approval of the following:

**University of North Carolina  
FY 2018-19 Operating Budget Priorities**

	<u>FY 2018-19</u>
<b>Budget for FY 2018-19 per 2017 Appropriations Act</b> <i>(Excludes Aid to Private Institutions)</i>	<b>\$2,905,709,796</b>
<b>Inform: Fulfill the responsibility to be more transparent and accountable</b>	
Data Modernization	2,000,000 R (2,000,000) NR
<b>Innovate: Invest in promising new ideas that will raise graduation rates and grow the economy</b>	
Student Success Initiatives (Innovation Lab, Accelerate through Summer Grants, Adaptive Digital Learning Courseware)	5,000,000 R
Research Opportunities Initiative	3,000,000 R
Faculty Recruitment and Retention	3,000,000 R
<b>Empower: Grant institutions more flexibility in exchange for stronger accountability</b> (allow more efficient use of state funds for repairs and renovations/advanced planning and for personnel)	
<b>Other Targeted Priorities</b>	
Employee Compensation <i>Equity with other state employees and flexibility to determine criteria for distribution</i>	
Lab Schools	1,070,000 R
Medical Education Expansion	2,000,000 R
NCA&T Doctoral Program	2,500,000 R
NCSU Innovation in Manufacturing Biopharmaceuticals	2,000,000 NR
Reinstate NCSSM Tuition Grant	1,500,000 R (1,500,000) NR
<b>Requested Increase to FY 2018-19 Operating Budget</b>	<b>\$20,070,000 R</b> <b><u>(\$1,500,000) NR</u></b>
<b>Additional Requested Increase to FY 2018-19 Operating Budget</b>	<b>\$18,570,000</b>
<b>Additional Percent Change Requested</b>	<b>0.67%</b>
<b>Total FY 2018-19 Operating Budget</b>	<b>\$2,924,279,796</b>
<b>Total Percent Change</b> (including increase from 2017 Legislative Session)	<b>5.00%</b>

**2017-18 Operating Budget Allocations:**

The Committee on Budget and Finance recommended the 2017-18 operating budget allocations, including compensation funding, which met all of the directives cited in the Appropriations Act of 2017, the technical corrections bill (H528), and the related Joint Conference Committee Report. Many of the changes were made directly to each institution's continuation budget; however, one item that required Board action was salary compensation for EHRA employees, which totaled \$24,736,487.

**2017-18 Capital Improvement Allocations:**

The proposed 2017-18 Allocations for Capital Improvements were recommended for approval by the Board.

**2017-18 Allocations from the Reserve for Repairs and Renovations:**

Funds for Repairs and Renovations projects were recommended for approval by the Board of Governors for allocation to the institutions. For fiscal year 2017-18, the 2017 General Assembly appropriated \$125,000,000 to the statewide reserve for repairs and renovations. Eight specific capital projects for other state agencies were earmarked at a value of \$24,000,000, to be deducted from the \$125,000,000. This yields a net reserve for repairs and renovations equal to \$101,000,000, of which \$50,500,000 (one-half) was allocated to the Board of Governors, as shown below.

<b>Institution</b>	<b>Amount</b>
Appalachian State University	\$ 3,596,626
East Carolina University	4,044,303
Elizabeth City State University	1,529,809
Fayetteville State University	1,541,298
North Carolina A&T State University	2,292,115
North Carolina Central University	2,679,962
North Carolina State University	9,247,351
University of North Carolina at Asheville	1,197,933
University of North Carolina at Chapel Hill	8,038,073
University of North Carolina at Charlotte	3,579,547
The University of North Carolina at Greensboro	2,514,816
The University of North Carolina at Pembroke	1,010,000
University of North Carolina Wilmington	1,913,915
University of North Carolina School of the Arts	1,538,276
Western Carolina University	1,625,229
Winston-Salem State University	2,130,747
North Carolina School of Science and Mathematics	1,010,000
University of North Carolina System Office	1,010,000
<b>TOTAL R &amp; R ALLOCATIONS</b>	<b>\$50,500,000</b>

**Capital Improvements Appropriations and Authorizations:**

The General Assembly appropriated \$6,500,000 from the General Fund for the following projects:

FSU	Health and Wellness Facility	\$ 5,500,000
UNC-CH	New Business School Building	\$ 1,000,000

**Non-General Fund Capital Improvement Projects Authorizations:**

The General Assembly authorized capital projects funded from non-general fund sources totaling \$238,230,306 in House Bill 620 (S.L. 2017-141).

<b>Institution/Project Authorization</b>	<b>Amount</b>
<b>East Carolina University</b>	
Dowdy-Ficklen Stadium Southside Renovation	\$ 55,000,000
<b>Elizabeth City State University</b>	
Demolition of Hugh Cale and Doles Halls	611,294
Renovation of Bias Hall	4,522,272
Renovation of Butler Hall	3,790,242
Demolition of Complex A-G Buildings	576,192
Update Master Plan	500,000
<b>North Carolina Central University</b>	
Baynes Residence Hall Renovations	6,542,121
<b>University of North Carolina at Chapel Hill</b>	
Indoor Practice Facility and Fetzer Field	30,000,000
Media and Communication Studio (Athletics)	10,000,000
DLAM Renovations (swing space for Berryhill Hall) and AAALAC Certification	21,890,000
Kenan Labs – Renovations to Labs 7A, 7B, 7C, 8B, and 8C for Applied Physics	7,683,000
Medical Education Building	22,600,000
<b>The University of North Carolina at Greensboro</b>	
Spartan Village – Phase II	50,900,000
<b>Western Carolina University</b>	
Parking Deck Facility	23,615,185
<b>Total</b>	<b>\$238,230,306</b>

**2018 Non-Appropriated Capital improvement Projects:**

Non-appropriated capital projects are financed by the University, and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings. Legislative approval is required for the issuance of debt; these “self-liquidating” capital projects are approved by the legislature after the passage of the Appropriations Act. Legislative approval is not required for non-appropriated capital projects that do not require debt issuance.

<b>Project</b>	<b>Total (\$)</b>	<b>Cash/GO Bond/ Other (\$)</b>	<b>Debt (\$)</b>	<b>Source of Funds</b>
<b>Appalachian State University</b>				
Sanford Hall Complete Renovation and Modernization	\$18,006,545	\$6,545	\$18,000,000	\$84 Student Debt Service Fee
<b>ASU Subtotal</b>	<b>\$18,006,545</b>	<b>\$6,545</b>	<b>\$18,000,000</b>	

Project	Total (\$)	Cash/GO Bond/ Other (\$)	Debt (\$)	Source of Funds
<b>University of North Carolina at Chapel Hill</b>				
Translational Research Building	\$156,650,000	\$133,650,000	\$23,000,000	F&A
Parking Deck at S1 Lot (South Parking Deck)	\$14,443,516	\$7,661,000	\$6,782,516	UNC Hospitals (44%)/ Transportation Receipts (56%)
<b>UNC-CH Subtotal</b>	<b>\$171,093,516</b>	<b>\$141,311,000</b>	<b>\$29,782,516</b>	
<b>University of North Carolina at Charlotte</b>				
Residence Hall Phase XVI	\$58,500,000	\$24,500,000	\$34,000,000	Housing Fund Balance (42%)/ Housing Receipts (58%)
<b>UNCC Subtotal</b>	<b>\$58,500,000</b>	<b>\$24,500,000</b>	<b>\$34,000,000</b>	
<b>The University of North Carolina at Greensboro</b>				
Ragsdale Mendenhall Residence Hall Renovation	\$12,800,000	\$4,800,000	\$8,000,000	Housing Fund Balance (37%)/ Housing Receipts (63%)
<b>UNCG Subtotal</b>	<b>\$12,800,000</b>	<b>\$4,800,000</b>	<b>\$8,000,000</b>	
<b>The University of North Carolina at Pembroke</b>				
Campus Rec/Baseball Softball Outdoor Complex	\$5,591,667	\$1,191,667	\$4,400,000	Campus Rec Fund Balance (21%)/ \$89 Student Debt Service Fee (79%)
<b>UNCP Subtotal</b>	<b>\$5,591,667</b>	<b>\$1,191,667</b>	<b>\$4,400,000</b>	
<b>University of North Carolina Wilmington</b>				
Parking Deck II and Surface Parking	\$24,264,700	\$3,844,700	\$20,420,000	Parking Fund Balance (16%)/ Parking Receipts (84%)
<b>UNCW Subtotal</b>	<b>\$24,264,700</b>	<b>\$3,844,700</b>	<b>\$20,420,000</b>	
<b>Grand Total</b>	<b>\$290,256,428</b>	<b>\$175,653,912</b>	<b>\$114,602,516</b>	

#### **Authorization for Guaranteed Energy Savings Performance Contract – NCSSM:**

Pursuant to G.S. 143-64.17F, the Board of Governors of the University of North Carolina System may authorize the North Carolina School of Science and Mathematics to utilize guaranteed energy savings contracts as a method to reduce the state's increasing utility costs, improve efficiencies of operations, and reduce environmental impacts.

#### **Emergency Procedures:**

Chancellors informed the president of the need to invoke emergency procedures as allowed by G. S. 143-129 to provide for new capital improvement projects. In accordance with emergency procedures, the State Building Commission was also notified.

Institution/Project	Funding Source	Amount
Elizabeth City State University Thorpe Building – Significant Water Intrusion	Operating Funds	\$257,000

<b>Institution/Project</b>	<b>Funding Source</b>	<b>Amount</b>
<b>University of North Carolina at Chapel Hill</b>		
School of Dentistry – Unforeseen Conditions	Receipts	\$200,000
Carmichael Residence Hall – Unforeseen Conditions	Receipts	\$125,000
Boiler Replacement in Art Lab Building	F&A	\$95,000
Phillips Hall HVAC Replacement	F&A	\$800,000
<b>University of North Carolina at Charlotte</b>		
Atkins Library Special Collections HVAC Repairs	Operating Funds	\$510,000
<b>Western Carolina University</b>		
Cordelia camp Building – Roof Replacement	Operating Funds	\$3,900,000

**Capital Improvement Projects Not Requiring Action by the General Assembly:**

During the year, the committee recommended approval of the following capital improvement projects to be funded principally from non-appropriated funds. With Board approval, these projects would be reported to the Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

<b>Institution</b>	<b>Project Title</b>	<b>Advance Planning</b>
ASU	End Zone Facility	\$ 2,558,174
ASU	Wey Hall – Interior Renovations	200,000
ASU	Sanford Hall – Comprehensive Renovation & Modernization	1,854,900
ECU	Biology Greenhouse	140,000
ECU	Main Campus – New Medium Voltage Electrical POD 3	50,000
ECU	Fleming Residence Hall – Renovation of HVAC System, Bathrooms and Apartment	250,000
NC State	Rigging Replacement Stewart Theatre	75,000
NC State	Equine Isolation Unit, College of Veterinary Medicine	100,000
NC State	Creamery Café and Education Center	100,000
NC State	HVAC Renovations Price Music Hall	97,500
NC State	Steam Repairs Phase VIIIC	65,000
UNC-CH	Science Complex 3 & Institute of Convergent Science, Feasibility Study	200,000
UNC-CH	UNC School of Media & Journalism – Media & Communication Studio	600,000
UNC-CH	Parking Deck at S1 Lot	1,300,000
UNC-CH	School of Dentistry Vacuum Pipe Remediation	150,000
UNCC	Residence Hall Phase XVI	5,850,000
UNCP	Campus Rec/Baseball Softball Outdoor Complex	300,000
WCU	Lower Campus Residence Hall	3,980,329
<b>Advance Planning Subtotal</b>		<b>\$17,870,903</b>

<b>Institution</b>	<b>Project Title</b>	<b>New Capital Projects</b>
ASU	Campus Road Repairs	\$ 675,000
ASU	Field Hockey Field House	556,718
ASU	Physical Plant – Materials Delivery & Storage Facility & Lay-down Yard	50,612
ASU	Poplar Grove Child Care Center Expansion	2,573,788
ASU	Varsity Gym HVAC Upgrades	684,400

<b>Institution</b>	<b>Project Title</b>	<b>New Capital Projects</b>
ASU	Appalachian Heights HVAC Upgrade	1,650,000
ASU	Doughton Residence Hall Roof Replacement	350,000
ASU	Plemmons Student Union Roof Replacement	449,972
ECU	Cotten Residence Hall Bathroom Renovation	1,039,811
ECU	Mendenhall Catering Kitchen Renovation	5,200,000
ECU	Main Campus – Replacement Condensate Line Between Manholes MH-2 and MH-8	1,450,000
ECU	Reline Storm Sewer – 5th Street to Greenmill Run	490,000
ECU	Warren Life Sciences Building – Section A Roof Replacement	425,000
ECU	Building 43 Renovation-Phase 1	6,999,998
ECU	Leo Jenkins Cancer Center – Sprinkler 1st Floor Sprinkler 1st Floor	374,975
ECU	Fletcher Residence Hall – Make Up Air	802,000
FSU	Chick-Fil-A at Rudolph Jones Student Center	718,750
N.C. A&T	Barbee Hall Roof Replacement	336,000
N.C. A&T	New Community and Urban Food Complex	5,600,000
NCCU	TV Studio Renovation	1,896,629
NCCU	University Master Plan	700,000
NCCU	Outdoor Track Resurfacing	550,000
NC State	BTEC – 215 Lab Renovation	350,000
NC State	Case Academic Center Dining Addition	1,999,000
NC State	Data Infrastructure Upgrades FY18	1,695,000
NC State	Greek Village Phase 3 Infrastructure	5,500,000
NC State	Restroom Finish Renovations Phase 2 – Bragaw Hall	400,000
NC State	Network Lab Renovation & Expansion – Avent Ferry Technology Center	485,000
NC State	ES King Village Roof Replacements – Phase 3	1,368,200
NC State	MRI Suite D205 Renovation – CVM	450,000
NC State	Restoration of Memorial Belltower	6,500,000
NC State	Academic Success Center at DH Hill Library	14,234,213
NC State	Site Enhancement – Avent Ferry Complex Buildings E&F	400,000
NC State	Fuel Oil Tank Expansion – Centennial Campus	825,000
UNCA	Reed Plaza Renovation	971,180
UNCA	Edgewood Road Parking Lot	1,427,141
UNC-CH	Burnett Womack 4th Floor Renovation	457,494
UNC-CH	Kenan Flagler School of Business Renovations at 1st, 2nd and 4th Floor	1,651,197
UNC-CH	UNC Parking Decks – LED Lighting Safety Upgrades	896,000
UNC-CH	Cameron Cogen – Dry Sorbent Injection System	5,000,000
UNC-CH	Cryo-Electron Microscopy (Cryo-EM) at Glaxo Research Building	850,000
UNC-CH	Kenan Stadium Seating Enhancement Project	7,000,000
UNC-CH	Outdoor Education Center Pond Retrofit	387,355
UNC-CH	Carolina Union Auditorium Renovation	1,500,000
UNC-CH	Carmichael Residence Hall Deck	849,660
UNC-CH	Institute of Marine Sciences Fisheries Research Lab & Maintenance Facility Lab Renovation	380,598
UNC-CH	Joyner Residence Hall HVAC Improvements and Window Replacements	6,616,825

<b>Institution</b>	<b>Project Title</b>	<b>New Capital Projects</b>
UNC-CH	Kenan Stadium – Fire Alarm Upgrades	1,060,000
UNC-CH	Ambulatory Care Center – ASC Reception Waiting Upgrades (17992)	930,307
UNC-CH	Curtainwall Replacement at Carmichael Hall	2,501,730
UNC-CH	Chase Hall Second Floor Renovations	980,247
UNC-CH	Friday Center Bus Loop	400,000
UNC-CH	Kenan Stadium Backflow Preventer and Booster Pumps	500,000
UNC-CH	Smith Center Video Board Replacement	6,000,000
UNC-CH	Hwy 54 Park & Ride Lot – Stormwater Pond Repair & Retrofit	330,000
UNCC	Energy Projects – Phase 1	424,533
UNCC	Atkins Air Handler (AHU)	1,600,000
UNCC	Craver Rd. Hot Water Supply / Return	400,000
UNCC	Student Government Office Renovations	1,200,000
UNCC	Bioinformatics Fourth Floor Build-out	11,500,000
UNCC	Intercollegiate Swimming Upfit	3,500,000
UNCC	Miltmore-Wallis Roof Replacement	450,000
UNCG	Weil Winfield Fire Alarm Replacement	903,000
UNCG	UNCG Biology – Plant and Pollination Center	488,500
UNCG	Parking Deck Repairs – Campus-wide	3,000,000
UNCG	Sprinkle Theatre Renovations	427,000
UNCW	Data Center Rack, HVAC, and UPS Upgrades	791,833
WCU	Central Drive Parking Surface Lot	4,000,000
WCU	Utility Relocation Phase II & III	2,800,000
WSSU	Rams Commons Residence Hall – Fire Alarm Replacement	1,550,000
WSSU	Underground Chilled Water Loop Extension – Donald J. Reeves Student Activity Center to O’Kelly Library & Thompson Center	1,225,000
UNC-TV	WUNC-TV FCC Mandated Transmitter Re-channel	34,599,364
<b>New Capital Project Subtotal</b>		<b>\$178,029,030</b>

<b>Institution</b>	<b>Project Title</b>	<b>Increases</b>
ASU	Wey Hall Air Handling Unit Repair/Replacement	\$ 75,000
ECU	Dowdy-Ficklen Stadium Southside Renovation	5,000,000
ECU	Cotten Residence Hall Bathroom Renovation	623,906
ECU	Mendenhall Comprehensive Renovation	16,853,622
FSU	Lyons Science Building Comprehensive Renovation	1,000,000
NC State	Case Academic Center Dining Addition	40,500
NC State	CBC Chiller Plant Expansion	338,612
NC State	Dabney Hall Lab Exhaust Upgrades – Phase 1	823,965
NC State	Greek Village Phase 3 Infrastructure	1,100,000
NC State	Theriogenology Facility at Reedy Creek Equine Farm	600,000
NC State	Dabney Hall Lab Exhaust Upgrades – Phase 1	2,590,000
NC State	Exterior Lighting LED Conversion	671,036
NC State	North and Central Campus Precincts Electrical Distribution	671,036
UNC-CH	Burnett Womack 4th floor Renovation	519,183

<b>Institution</b>	<b>Project Title</b>	<b>Increases</b>
UNC-CH	Faculty Recruitment Laboratory & Common Area Renovations – Lineberger Cancer	1,020,040
UNC-CH	Everett, Lewis & Stacy Window Replacement & HVAC Improvements	1,271,866
UNC-CH	Musculoskeletal Enhancement Service	4,177,219
UNC-CH	UNC Carolina Union Auditorium Renovation	499,744
UNC-CH	Indoor Practice Facility/Fetzer Field Renovation	12,395,149
UNC-CH	Kenan Stadium Turf Replacement	1,483,837
UNC-CH	New Women’s Field Hockey Team Facilities and Playing Field	1,061,185
UNC-CH	Carmichael Hall Maker Space	126,000
UNC-CH	Chase Dining Hall Second Floor Renovation	590,674
UNC-CH	Kenan Laboratory Renovation	8,150,000
UNC-CH	Taylor Campus Health Sports Medicine and Specialty Clinics Renovation	850,000
UNCC	Admission and Visitors Center	500,000
UNCC	Baseball Indoor Training Facility	250,000
UNCC	Campus Circulation Improvements	400,000
UNCC	Parking Lot 8 Expansion	425,000
UNCC	Softball Indoor Training Facility	600,000
UNCG	Phillip Hawkins Residence Hall Fire Alarm Upgrades	400,000
UNCG	Weil Winfield Fire Alarm Replacement	1,023,000
UNCW	Hurst Parking Lot	1,052,598
UNCSA	Campus Master Plan	298,000
UNCSA	Performance Place Renovations	860,000
WCU	Parking Deck Facility	3,000,000
	<b>Increases Subtotal</b>	<b>\$71,341,172</b>
	<b>Grand Total</b>	<b>\$267,241,105</b>

#### **Request for Additional Project and Financing Authority – NCCU:**

The committee and the Board approved North Carolina Central University’s request for an additional project and financing authority on the previously authorized construction and financing of the Student Center Project. This was necessary due to increased estimated construction costs and a nominal increase in the size of the building.

#### **INSTITUTIONAL BORROWING**

##### **Approval of Replacement Line of Credit Agreement – UNC-Chapel Hill:**

The Committee on Budget and Finance approved the replacement line of credit agreement at UNC-Chapel Hill. The existing line of credit, \$100 million with U.S. Bank National Association, was set to expire in September 2017. UNC-Chapel Hill undertook a competitive bid process to seek proposals for a replacement line of credit and received the most favorable bid from TD Bank, N.A. With Board approval, the execution and delivery of the line of credit agreement would not impact UNC-Chapel Hill’s issuer credit rating.



**Special Obligation Bonds:**

The Board of Governors is authorized to issue special obligation bonds for capital improvement projects approved by the General Assembly. Although a specific source of funding is used by an institution when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, state appropriations, and restricted reserves. The committee recommended that the president of the University, or her designee, be authorized to sell the following special obligation bonds.

<b>Institution</b>	<b>Special Obligation Bonds</b>	<b>Approved by BOG</b>
ECU	(1) A special obligation bond anticipation note for the purpose of providing funds for the construction of the Dowdy-Ficklen Stadium Southside Renovation Project, and (2) special obligation bonds in one or more series for the purpose of refinancing outstanding indebtedness to achieve interest rate savings. The Dowdy-Ficklen Stadium Southside Renovation was approved under S.L. 2017-620.	9/8/2017
UNCC	Special obligation bonds in an amount not to exceed \$91,644,000 for the purpose of (1) renovating and improving Scott Residence Hall and acquiring, constructing, and equipping a Health and Wellness Center; (2) paying in advance of its maturity the outstanding principal amount of The University of North Carolina General Revenue Bond Anticipation Note, Series 2016, which financed the renovation and improvement of Elm, Maple, and Pine Residence Halls; (3) paying interest on the 2017 Bonds during construction of certain projects; and (4) paying the costs incurred in connection with the issuance of the 2017 Bonds	9/8/2017
UNC-CH	Special obligation bonds in an amount not to exceed \$125,000,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings; (2) refinancing outstanding commercial paper indebtedness to provide long-term financing at a fixed interest rate for the facilities originally financed; and (3) paying the costs incurred in connection with the issuance of the bonds	9/8/2017
UNC-CH	Request of previously issued bonds for Remarketing of the 2012B Special Obligation Bonds, which are scheduled to expire December 31, 2017. These bonds finance and refinance the construction, renovation, improvement, equipping, and furnishing of certain facilities on the campus.	11/3/2017
ASU	Special obligation bonds in one or more series in an aggregate principal amount not to exceed \$75,000,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings; and (2) paying the costs incurred in connection with the issuance of the 2017 Bonds	11/3/2017
UNC-CH	Authorized UNC-CH to finance under its existing commercial paper program all or a portion of the costs of the capital improvement projects previously approved by the Board and authorized by the General Assembly under SL 2017-141	11/3/2017
UNCG	Special obligation bonds in an aggregate principal amount not to exceed \$102,000,000 for the purpose of (1) refinancing outstanding indebtedness to achieve interest rate savings; and (2) paying the costs incurred in connection with the issuance of the 2017 Bonds	11/3/2017
WCU	Special obligation bonds (the "2018 Bonds") in an amount not to exceed \$48,000,000 for the purpose of (1) the construction of the Upper Campus New Residence Hall; and (2) paying the costs incurred in connection with the issuance of the 2018 Bonds	1/26/2018
ECU	Special obligation bonds in one or more series to (1) finance and refinance the Dowdy-Ficklen Stadium Southside renovation project, (2) finance the second phase of various residence hall improvements, and (3) pay the costs incurred in connection with the issuance of the bonds	3/23/2018
UNCG	Special obligation bonds in an amount not to exceed \$50,900,000 for the purpose of acquiring Spartan Village – Phase II residence hall, and paying the costs incurred in connection with the issuance of the bonds	3/23/2018
NC State	Special obligation bonds in an aggregate principal amount not to exceed \$100,000,000 for the purpose of (1) refinancing outstanding indebtedness; and (2) paying the costs incurred in connection with the issuance of the 2018 bonds.	5/24/2018

## PROPERTY

All property transactions, other than leases, of \$250,000 or more require approval of the Board and, therefore, action by the Committee on Budget and Finance unless approved under the president's delegation up to \$500,000. Upon the approval of the Board, the committee staff forwards such items to the Council of State for final action. The following property transaction was recommended for approval.

<b>Institution</b>	<b>Acquisition of Property by Deed</b>	<b>Approved by BOG</b>
ECU	Acquisition of property by transfer of deed from the ECU Real Estate Foundation to the University. The property is contiguous to the ECU campus and is a strategic acquisition for future improvements.	1/26/2018

Lease transactions in excess of \$150,000 for campuses without delegated authority require approval of the Board. Lease costs will be at market rate, subject to approval by the State Property Office, and accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration. The following property transactions were recommended for approval.

<b>Institution</b>	<b>Acquisition of Real Property by Lease</b>	<b>Approved by BOG</b>
UNCC	Authorization to lease space for the Bioinformatics Research Center at the North Carolina Research Campus (NCRC) in Kannapolis to expand leased space to accommodate additional research staff. The existing lease covers 4,185 square feet and expires December 31, 2019, with an option to extend. The requested lease will be synchronized with the existing lease to result in a common lease expiration date for the entire space.	5/24/2018
<b>Acquisition of Property by License</b>		
NCCU	Authorization to acquire space for fall and spring semesters to meet student housing needs. All NCCU freshmen are required to live on campus, and with a projected freshman class of 1,212, a current housing inventory of 2,828 beds for all students, and the need to maintain a balance of on-campus residents across all class levels, existing space is insufficient.	5/24/2018
<b>Disposition of Property by Demolition</b>		
ECU	Four existing structures on the grounds of Dowdy-Ficklen Stadium located in the City of Greenville, Pitt County, North Carolina	9/8/2017
FSU	One existing structure on campus located in the City of Fayetteville, Cumberland County, NC	9/8/2017
UNCC	Nine structures along Facilities Drive in Charlotte, North Carolina. This demolition would allow UNCC to proceed with the construction of the Connect NC Bond-supported Sciences Building and related infrastructure.	1/26/2018
UNCC	Authorization to demolish two structures located on the campus in Charlotte. Construction of a new approximately 700 bed residence hall is planned for the site to meet student demand for lower cost on-campus accommodations. Demolition will be phased with one building being demolished and followed by new construction before the process is repeated with the second building. The estimated cost of the demolition is \$4,000,000 to be funded from a combination of housing cash reserves and bond receipts.	5/24/2018
<b>Disposition of Real Property by Ground Lease</b>		
NC State	Ground lease at 739 Chappell Drive in Raleigh, NC. This property was currently leased to the Tammy Lynn Memorial Foundation, Inc. under a 40-year ground lease that was set to expire December 31, 2017 at a rate of \$1. Authorization would amend the ground lease and extend its term for 40 years at an annual rate of \$10.	12/15/2017

<b>Institution</b>	<b>Disposition of Real Property by Lease</b>	<b>Approved by BOG</b>
NC State	Dispose of property by lease at Poulton Innovation Center Building, 1021 Main Campus Drive in Raleigh, NC, on the Centennial Campus. This lease furthers programmatic connectivity between private firms located on Centennial Campus and the university at large.	5/24/2018
<b>Disposition of Real Property by Easement</b>		
NC State	Disposition of a temporary construction property easement and a permanent property utility easement along Dan Allen Drive in Raleigh, NC. This arrangement would allow NC State to sell to the city of Raleigh a ±.61 acre permanent utility easement for \$630,000 and grant a ±1.68 acre temporary construction easement to allow construction of the utility lines on campus.	12/15/2017
UNCP	Disposition of property by easement to the State of North Carolina Department of Transportation (NCDOT). The NCDOT is planning road and pedestrian improvements to SR 1340 in Pembroke, NC, along the eastern edge of the UNCP campus, between Third Street and Corinth Road. Right-of-way and easements are needed to support these improvements	1/26/2018
NCSEAA	Disposition of property by easement at the Research Triangle Park location of the North Carolina State Education Assistance Authority to Time Warner Cable Southeast LLC, dba Spectrum Business (Spectrum) – Spectrum is planning the installation of approximately 1,430 lineal feet of fiber optic cable along 10 UNC-TV Drive from the intersection of Alexander Drive to the NCSEAA building.	3/23/2018

#### **Exchange of Property – NC State:**

NC State University's request for authorization to exchange several properties, all located on the university's Centennial Campus in Raleigh, North Carolina was approved. The exchange of real property between the State of North Carolina on behalf of NC State and the Endowment Fund of NC State University was an exchange of equal acreage and equal property value.

#### **TRANSACTIONS BY DELEGATED AUTHORITY**

In 2012, G. S. 116-31. 12 delegated to the Board of Governors of the University of North Carolina System the authority to authorize the constituent institutions and the UNC System to acquire and dispose of real property by lease if the lease was for a term of not more than ten years. The Board had delegated that authority to the president, NC State University, UNC-Chapel Hill, East Carolina University, and UNC Wilmington up to \$500,000. The following property transactions were approved under delegated authority.

<b>Institution</b>	<b>Description</b>	<b>Transaction Type</b>	<b>Approval Date</b>
ASU	Brown Road – 138 foot-long permanent easement along Brown Street for retaining wall	Disposition Easement/ROW	8/10/2017
ECU	Belvoir Road – 6.71 acre site to accommodate new greenhouse	Lease Disposition	8/4/2017
ECSU	Farmland Lease – 35 acres of farmland adjacent to campus	Lease Disposition	8/3/2017
ECSU	1726, 1828, & 1704 Weeksville Road – K.E. White Graduate Center, 6 rooms, Faculty Housing, Johnson Hall	Lease Disposition	8/3,8/10, & 8/31/2017
NCCU	821 E. Lawson Purchase of residence to make way for new Business School.	Acquisition – Deed	7/10/2017
NCCU	515 & 517 Cecil Street – Duplex residential purchase for new student center	Acquisition – Deed	8/28/2017

<b>Institution</b>	<b>Description</b>	<b>Transaction Type</b>	<b>Approval Date</b>
NCSSM	Northgate Shopping Center – Shopping center space for use by robotics club	Lease Acquisition	8/16/2017
UNC-CH	121 Henderson Street – Transfer from MAHEC to UNC for medical facility	Lease Disposition	8/10/2017
NCCU	521 Cecil Street – Residential purchase, for new student center	Acquisition – Deed	12/8/2017
NCCU	1202 & 1204 S. Alston Avenue – Single family residences to be for School of Business	Acquisition – Deed	12/8/2017
NCCU	910, 918, & 922 Dupree Street – Single family residences for School of Business	Acquisition – Deed	12/8/2017
NC State	Dan Allen Drive, Main Campus – Conveyance of temporary and permanent easement to City of Raleigh for utility work	Acquisition Easement/ROW	12/15/2017
NC State	739 Chappell Drive – 40-year ground lease to Tammy Lynn Foundation	Lease Disposition	12/15/2017
ECU	321 East Tenth Street – Commercial building adjacent to campus	Acquisition – Deed	1/26/2018
UNCC	Facilities Drive, Main Campus – Demolition of 9 properties in support of Connect NC Bond project	Demolition	1/26/2018
UNCP	1029 Prospect Road – 2 acres w/single family home at north edge of campus	Acquisition – Deed	5/16/2018
NC State	920 Main Campus Drive – 10,000 square feet for Computer Science	Lease Acquisition	5/16/2018
WCU	Highlands Biological Station – 8 acres to foundation for improvements	Ground Lease	5/22/2018

## **OTHER ACTIONS**

### **Annual Report:**

The Annual Report of the Committee on Budget and Finance to the Board of Governors of The University of North Carolina for July 1, 2016 through June 30, 2017 was recommended for approval.

### **Report Deregulation:**

The Committee recommended the deregulation/repeal of the following policies:

Policy 600.3.1. – Expenditure of Funds Generated Through Lapsed Salaries

Policy 800.3.1 and 800.3.1.1[G] – Legislative College Opportunity Program

### **UNC Policy Manual Section 800.5.1[R]:**

UNC Policy Manual Section 800.5.1[R], titled “Regulation of Financial Aid Practices,” establishes certain safeguards related to institutional dealings with student loan providers. It requires chancellors to forward campus-based lender lists to the president annually and to notify the president of certain gifts provided by lenders to constituent institutions. Since these reporting requirements are based on requirements of the Federal Family Education Loan Program, which ended in 2010, UNC System Office staff propose that this regulation be *amended* to remove these two reporting requirements to the president. This item was for information only.

**Establishment for For-Profit Associated Entity – UNC-Chapel Hill:**

The Committee on Budget and Finance approved the establishment of a for-profit associated entity (“KFBSF Real Estate Fund IV”) to manage real estate investment funds as an educational program at the Kenan-Flagler School of Business. These funds would provide MBA and BSBA students with hands-on experience in operating a private investment fund. KFBSF Real Estate Funds I and II are fully invested and KFBSF Real Estate Fund III is almost fully invested. If future students are to participate in this educational program, additional funds will need to be raised and an additional real estate fund established (“KFBSF Real Estate Fund IV”).

**Buy North Carolina Resolution:**

The Committee on Budget and Finance approved the Buy North Carolina Resolution, which encourages UNC System institutions and affiliates to use North Carolina vendors and products in capital projects to the extent practical and only to the extent that this would not increase costs, diminish quality, or result in delay.

**Millennial Campus Designation – UNC Wilmington:**

The University of North Carolina Wilmington’s request for Millennial Campus designation to include approximately 21.79 acres on a single site for new student housing, dining, and parking was approved by the committee.

**Millennial Campus Designation – Western Carolina University:**

The committee recommended approval for an expansion of specified property across multiple sites for the construction of radio and communication towers; public-private partnership opportunities; and regional economic development initiatives in support of Western Carolina University’s mission. The sites are in close proximity to campus or are located on the main campus. The purpose behind this millennial designation request conforms to the WCU Strategic Plan and is in accordance with the WCU Campus Master Plan.

**Predevelopment Agreement – Appalachian State University:**

The committee recommended approval for Appalachian to enter into a predevelopment agreement in connection with a project to redevelop student housing facilities, replace approximately 1,797 existing beds, add approximately 325 new beds, and add related surface and structured parking on Appalachian’s Millennial Campus. The project is to be executed in multiple phases, the first of which includes the construction of approximately 608 new beds and a structured parking facility.

At Appalachian’s request, the Board previously designated a portion of the campus as a Millennial Campus to facilitate the development of multiple facilities. Appalachian conducted a competitive selection process, which included a request for qualifications followed by requests for proposals to qualify potential developers and solicit public-private partnership proposals for the development of the project. Based on the results of that process, Appalachian determined that, when compared to ASU’s traditional delivery and financing options, a public-private partnership model would deliver additional value and savings to Appalachian, reduce the timeframe for project delivery, and result in lower student rental rates necessary to support the project.

**Predevelopment Agreement – UNC Wilmington:**

The committee approved UNC Wilmington to enter into a predevelopment agreement in connection with the development of up to 1,800 beds on UNCW’s Millennial Campus.

At UNC Wilmington’s request, the Board previously designated a portion of the campus as a Millennial Campus to facilitate the development of a new student housing village. UNCW conducted a competitive RFQ and RFP process 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 UNCW, reduce the timeframe for project delivery, and lower student rental rates necessary to support the project.

#### **UNC System Debt Capacity Study:**

It was recommended that the Board of Governors approve the UNC System Debt Capacity Study for FY 2017.

The 2015 Appropriations Act bill (SL 2015-241) contained a provision that required the UNC Board of Governors to annually advise the General Assembly and the governor on the estimated debt capacity of the UNC System for the upcoming five years. The provision also required each constituent institution to report current and anticipated debt levels to the Board of Governors by November 1 of each year. Following the institution reports, the Board should report findings for the UNC System as a whole by April 1 of each year.

To comply with this new provision, the University selected a financial advisor to assist the UNC System Office. First Tryon Advisors of Charlotte was selected through a competitive process and worked with the constituent institutions and the UNC System Office to develop the UNC System Debt Capacity Study.

#### **TOPICS DISCUSSED DURING THE YEAR**

##### **Proceedings of the University Funding Model Task Force:**

In the spring of 2017, President Spellings, with the affirmation of the UNC Board of Governors, established the University Funding Model Task Force and staffed it with experts from the University and across the state. The task force concluded its work after ten months. It based its findings on an assessment of the strengths and weaknesses of the current model; careful scrutiny of funding models in states like Texas, Ohio, Indiana, and Tennessee; and an assessment of performance funding policies and outcomes.

The task force referred its report to the Board of Governors Committee on Budget and Finance to inform and assist that group as it works to implement reforms to the funding model, tuition and fee policies, and associated management flexibilities in anticipation of the FY 2019-21 biennium. Members of the task force and associated technical group are prepared to assist the Board of Governors Committee on Budget and Finance as they work to develop a funding model that more closely ties our funding streams to our goals and makes our enrollment funding process simpler, more transparent, and more predictable.

##### **Report on Need-Based Aid from Tuition and Tuition Bill Statements:**

In October 2014, the UNC Board of Governors received a report from the Board's Working Group on Financial Aid and Tuition. The working group's final report made several recommendations. These include the implementation of a limit on need-based aid funded by tuition to a 15 percent maximum percentage of an institution's total base tuition revenue along with a requirement that institutions report annually to the Committee on Budget and Finance of the Board of Governors on tuition used for need-based aid.

All institutions are in compliance with the freeze and cap policy. Three are above 15 percent and are frozen, and 13 are not frozen. Since implementation, seven have increased the amount of need-based aid from tuition, three have decreased, and six have not changed.

**AGENDA ITEM**

A-5. Capital Improvement Projects – Appalachian, NC State, UNC-Chapel Hill,  
and UNC Charlotte..... Clinton Carter

- Situation:** Four UNC System institutions have requested a total of 12 capital improvement projects: one project for advance planning, eight new projects for authority, and three projects for increased authorization.
- Background:** The Board of Governors may authorize capital construction projects and advance planning projects at UNC System institutions using available funds.
- Assessment:** Appalachian, NC State, UNC-Chapel Hill, and UNC Charlotte have requested projects that meet the statutory requirements, and it is recommended that the Board of Governors approve the projects and their methods of funding. It is further recommended that these projects be reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Capital Improvement Projects – Appalachian, NC State, UNC-Chapel Hill, and UNC Charlotte

### ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with non-appropriated capital projects using available funds (non-general funds). Non-appropriated capital projects are funded by the institution and include the construction, repair, or renovation of facilities such as residence halls, dining facilities, research buildings, athletic facilities, and student health buildings.

Four UNC System institutions have requested a total of twelve capital improvement projects: one project for advance planning, eight new projects for authority, and three projects for increased authorization.

#### I. ADVANCE PLANNING

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
<b>Appalachian State University</b>					
1.	Track, Tennis, Softball Relocation	\$11,800,000	-	\$1,180,000	Foundation
<i>ASU Subtotal</i>		<i>\$11,800,000</i>	<i>\$0</i>	<i>\$1,180,000</i>	

#### II. NEW PROJECTS

<b>Appalachian State University</b>					
2.	Stadium Lot Steam and Condensate Phase 1	\$3,456,115	-	\$3,456,115	Trust Funds
3.	Kidd Brewer Stadium End Zone Facility	\$45,000,000	\$2,588,174	\$42,411,826	Athletics Gifts and Receipts 11%, Dining Receipts 8%, and Debt 81%
<i>ASU Subtotal</i>		<i>\$48,456,115</i>	<i>\$2,588,174</i>	<i>\$45,867,941</i>	
<b>North Carolina State University</b>					
4.	Creamery Café and Education Center	\$1,250,000	\$100,000	\$1,150,000	Gifts
5.	Site Enhancement – Avent Ferry Complex Buildings A & B	\$400,000	-	\$400,000	Housing Receipts
6.	Flooring Abatement – Metcalf Residence Hall	\$450,000	-	\$450,000	Housing Receipts
<i>NC State Subtotal</i>		<i>\$2,100,000</i>	<i>\$100,000</i>	<i>\$2,000,000</i>	
<b>University of North Carolina at Chapel Hill</b>					
7.	Burnett Womack Conference Center	\$1,720,000	-	\$1,720,000	Clinical Receipts



## II. NEW PROJECTS (continued)

8.	Tarrson Hall – Medical Gas Alarm System	\$450,000	-	\$450,000	Clinical Receipts
<i>UNC-CH Subtotal</i>		<i>\$2,170,000</i>	<i>\$0</i>	<i>\$2,170,000</i>	
<b>University of North Carolina at Charlotte</b>					
9.	Information Technology Infrastructure Upgrades in Rowe, Storrs and Reese	\$3,800,000	-	\$3,800,000	Debt Service Fee (60%), Education and Technology Fee (40%)
<i>UNCC Subtotal</i>		<i>\$3,800,000</i>	<i>\$0</i>	<i>\$3,800,000</i>	

## III. INCREASED AUTHORIZATION

Institution/Project Title		Total Project Cost (\$)	Previous Authorization (\$)	Requested Authorization (\$)	Funding Source
<b>University of North Carolina at Chapel Hill</b>					
10.	Everett, Lewis & Stacy Window Replacement & HVAC	\$9,243,404	\$5,771,866	\$3,471,538	Housing Receipts
11.	Kenan Stadium – Backflow Preventer and Booster Pumps	\$900,000	\$500,000	\$400,000	Athletic Receipts
12.	Indoor Practice Facility/Fetzer Field Renovation	\$73,663,594	\$67,395,149	\$6,268,445	Foundation
<i>UNC-CH Subtotal</i>		<i>\$83,806,998</i>	<i>\$73,667,015</i>	<i>\$10,139,983</i>	
<b>Grand Total</b>		<b>\$152,133,113</b>	<b>\$76,355,189</b>	<b>\$65,157,924</b>	

## RECOMMENDATION

All projects and associated funding sources are in compliance with G.S. 143C-8-12 (State Budget Act).

It is recommended that these projects be authorized and reported to the NC Office of State Budget and Management as non-appropriated projects that do not require any additional debt or burden on state appropriations.

**AGENDA ITEM**

A-6. Acquisition of Property by Lease – NC State University..... Clinton Carter

- Situation:** The Board of Trustees of NC State University requests permission to acquire property by lease at University Towers Residence Hall, 111 Friendly Drive, Raleigh, NC.
- Background:** NC State does not currently have sufficient on-campus housing to guarantee housing to all freshmen, as required under current campus housing policy, and needs to obtain space for the 2018-19 academic year.
- Assessment:** Under their delegated lease authority, NC State has negotiated a short-term bridge rental agreement for space in an adjacent private residence hall but needs to convert this to a longer term agreement to cover the entire academic year.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## **Acquisition of Property by Lease – NC State University**

### **ISSUE OVERVIEW**

UNC System institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property depending on the authority delegated to the institution. In this case, NC State has delegated authority to approve and execute leases that are no more than 10 years in length and no more than \$350,000 in annual rent. The proposed lease for this agenda item is for one academic year at an annual rent of \$2,411,784.

The Board of Trustees of NC State University has requested authorization to acquire space for the 2018-19 academic year to meet freshman student housing needs in compliance with campus housing policies requiring all freshmen to live on campus. A private residence hall, immediately adjacent to the campus, has sufficient space available. The proposed lease supports full cost recovery for the campus while providing student housing under campus housing agreements at the same rates students would pay for comparable space located in on-campus housing. This lease would replace an existing short-term bridge agreement, effective through October, executed under NC State's delegated campus leasing authority.

### **NC State University Property Acquisition – Lease**

LESSOR:	University Towers Operating Partnership, LP, Memphis, Tenn.
LESSEE:	State of North Carolina, NC State University
LOCATION:	111 Friendly Drive, Raleigh, NC
LEASE AMOUNT:	\$2,411,784
DESCRIPTION:	Floors 4, 5, and 6
LEASE TERM:	10 months, August 2018 – May 2019
LEASE EXPIRATION:	May 2019

The lease of this property was approved by the NC State Board of Trustees at its meeting on July 19, 2018.

### **RECOMMENDATION**

It is recommended that the Board of Governors approve this request.

**AGENDA ITEM**

A-7. Acquisition of Property by Lease and Disposition by Sublease – UNC-Chapel Hill ..... Clinton Carter

- Situation:** The Board of Trustees of the UNC-Chapel Hill requests authorization to acquire property by lease at 123 W. Franklin Street, Chapel Hill and dispose of this same property by sublease.
- Background:** The Office of Innovation, Entrepreneurship, and Economic Development is entering into a public-private partnership to operate a wet-lab accelerator for faculty-led early stage life science start-up companies.
- Assessment:** UNC-Chapel Hill, a perennial leader in life science research, is the only institution of its size that does not have a dedicated wet-lab accelerator facility to assist in launching faculty-led early stage life science start-up companies. Currently, early stage companies are dispersed across campus, typically within labs designed for academic research purposes. The proposed wet-lab accelerator facility will provide the critical infrastructure necessary to ensure the university's ability to continue to successfully launch and expand the number of commercially-viable life-science startups. This accelerator space will be built-out and operated in strategic alignment with a third-party life-sciences operating company.
- Action:** This item requires a vote by the committee, with a vote by the full Board of Governors through the consent agenda.

## Acquisition of Property by Lease and Disposition by Sublease – UNC-Chapel Hill

### ISSUE OVERVIEW

UNC System institutions are required to request authority from the Board of Governors to proceed with certain acquisitions and dispositions of real property depending on the authority delegated to the institution. UNC-Chapel Hill has delegated authority to approve and execute leases and subleases that are no more than 10 years in length and no more than \$350,000 in annual rent. The proposed lease and sublease transactions involve 10-year terms and annual rent that exceeds \$350,000.

UNC-Chapel Hill is requesting authorization to lease space for the Office of Innovation, Entrepreneurship and Economic Development in support of a new wet-lab accelerator facility. This space will be built-out and operated in strategic alignment with a third-party life sciences operating company. UNC-Chapel Hill is in the final stages of negotiating with this firm to execute a sublease and a Memorandum of Understanding (MOU) to set the terms for managing the accelerator.

In summary, UNC-Chapel Hill will lease space at terms outlined below, then sublease this same space to the third-party life sciences operating company at terms also outlined below. Under the sublease, the operating company will manage the accelerator including selecting, in concert with UNC-Chapel Hill, companies for residence in the accelerator. The operating company will provide ongoing business consultation to these early-stage companies and expose them to potential commercialization opportunities through partnerships with private capital. In addition, the third-party operating company will provide \$5M to upfit the space.

UNC-Chapel Hill will receive rent recovery from this operating partner based on rental revenue generated by startup companies in the accelerator. Fair market value for occupancy of the space is expected over the term of the sublease. In addition, UNC-Chapel Hill will potentially benefit from the growth of the early-stage companies using UNC-Chapel Hill-licensed intellectual property.

### Property Acquisition - Lease

LESSOR:	Carolina Square, LLC
LESSEE:	State of North Carolina, UNC-Chapel Hill
LOCATION:	123 West Franklin, Chapel Hill, NC
LEASE AMOUNT:	\$1,088,000 (2.5% per year escalation)
DESCRIPTION:	33,000 sf of additional space
LEASE TERM:	10 years, 4 months free rent, no renewal options
LEASE EXPIRATION:	To be determined, depending on closing of final negotiations

The lease of this property was approved by the UNC-Chapel Hill Board of Trustees at its meeting on July 19, 2018.

### Property Disposition - Sublease

SUBLESSOR:	State of North Carolina, UNC-Chapel Hill
SUBLESSEE:	Subtenant currently negotiating under a non-disclosure agreement
LOCATION:	123 West Franklin, Chapel Hill, NC

LEASE AMOUNT: \$1 annually  
DESCRIPTION: 33,000 sf  
LEASE TERM: 10 years, no renewal options  
LEASE EXPIRATION: To be determined, depending on closing of final negotiations

The sublease of this property was approved by the UNC-Chapel Hill Board of Trustees at its meeting on September 27, 2018.

**RECOMMENDATION**

It is recommended that the Board of Governors approve this request.

**AGENDA ITEM**

A-8. Authorization of Ground Lease – Appalachian State University ..... Paul Forte

**Situation:** Appalachian State University requests that the Board of Governors authorize Appalachian to enter into a ground lease and related agreements in connection with the development of student housing facilities consisting of roughly 2,100 beds and the construction of a replacement building for Winkler Hall, three other residence halls, and related surface and structured parking facilities (collectively, the “Project”).

**Background:** The Board previously designated a portion of Appalachian’s campus on which the Project will be located as a Millennial Campus and authorized the university to enter into a predevelopment agreement with RISE Development, LLC (“RISE”).

Appalachian now seeks the Board’s authorization (1) to ground lease the Project site to Beyond Boone, LLC, (“Beyond”), whose sole member is the Beyond Owners Group, a national not-for-profit 501(c)(3) organization; and (2) to authorize Appalachian officials to take all necessary or appropriate steps to develop the Project and consummate the transactions contemplated by the ground lease and predevelopment agreement. The ground lease will contain the material terms provided to the Board in the term sheet.

**Assessment:** Under the ground lease, Beyond will lease the Project site for a term not to exceed 50 years to enable Beyond to finance and construct the Project. Beyond will own any improvements to the Project site and will grant a lien on its leasehold interest in the Project site to secure the bonds issued to finance the Project (the “Beyond Bonds”). Appalachian will have no financial obligation or liability with respect to the Bonds.

Appalachian will have the option to acquire the Project and terminate the ground lease at any time following the payment in full of the Beyond Bonds. A development agreement between Beyond and RISE will include appropriate oversight from Appalachian during construction phases.

Once completed, Appalachian will operate and manage the Project on Beyond’s behalf under the terms of a separate management agreement. Appalachian will be reimbursed from Project revenues for any costs incurred in performing those services.

The Project will include a parking garage with approximately 475 spaces, which Beyond will lease to Appalachian under a separate lease agreement for a term up to 10 years.

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

Appalachian State University  
Development of Student Commons  
501(c)(3) Tax Exempt Bond Model Term Sheet

October 2018

Appalachian State University (“Appalachian”) is requesting authority to negotiate and enter into a Ground Lease Agreement to facilitate the development of student housing facilities, structured and surface parking, and related infrastructure, as described herein, on substantially the terms set forth in this Term Sheet.

I. Project Overview	
1. Project	<p>An on-campus student housing development consisting of approximately 2,100 beds of student housing, parking, dining, and related infrastructure (“the Project”). The Project will be financed and owned by Beyond Boone, LLC (“Beyond”), which is a non-profit subsidiary of Beyond Owners Group, Inc., a Pennsylvania-based 501(c)(3) non-profit corporation whose purpose is to support other charitable organizations, by, among other things, owning and managing student housing. The Project will be developed in three phases:</p> <p><u>Phase I:</u> Approximately 600 student housing beds, approximately 475 parking spaces in a structured parking garage, approximately 100 surface parking spaces, a convenience-oriented dining facility, and related demolition and infrastructure construction to be available Fall 2020. Concurrent development of approximately 320 beds replacing Winkler Hall.</p> <p><u>Phase II:</u> Approximately 500 student housing beds, approximately 160 surface parking spaces, and related demolition and infrastructure construction to be available Fall 2021</p> <p><u>Phase III:</u> Approximately 680 student housing beds, approximately 185 surface parking spaces, and related demolition and infrastructure construction to be available Fall 2022</p> <p>The number of beds, number and phasing of parking spaces, and square footage may change slightly as project design is finalized.</p>
2. Project Participants	<p>The developer will be RISE Boone, LLC, an affiliated entity of RISE Development, LLC which specializes in the development of higher education facilities and has developed in excess of 50,000 student beds (the “Developer”).</p>



	<p>The Developer’s project team, including designers, contractors, engineers, and consultants, will include the following firms, as represented in its response to Appalachian’s request for proposals:</p> <ul style="list-style-type: none"> <li>- General Contractor: Choate Construction</li> <li>- Design Architect: Niles Bolton Associates</li> <li>- Design Consultant: Jenkins Peer Architects</li> <li>- Civil Engineer: Stanley D. Lindsey and Associates, Ltd.</li> </ul> <p>The ground lessee will be Beyond Boone, LLC (“Beyond”) whose sole member will be Beyond Owner’s Group.</p>
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<b>II. Ground Lease</b>	
3. Ground Lease Agreement	<p>A Ground Lease Agreement will be entered into between Appalachian and Beyond at the financial closing for Phase I. Leased property will include building and parking garage footprints, plus non-exclusive easements for common areas and temporary construction easements (the “Leased Property”). Appalachian and Beyond intend to amend the Ground Lease Agreement at the financial closings for Phase II and Phase III to add sites for the Phase II and Phase III improvements.</p> <p>The Ground Lease Agreement will obligate Beyond to finance the development of the Project, own the Project, and enter into agreements providing for the design, construction, and management of the Project.</p> <p>Concurrent with Phase I of the Project, Appalachian plans to pursue the construction of an approximately 320-bed residence hall to replace the former Winkler Hall (the “Winkler Hall Replacement”) under the Ground Lease Agreement. Beyond will be obligated to construct and initially own the Winkler Hall Replacement. Once constructed, the Winkler Hall Replacement will be acquired by Appalachian, subject to the terms of set forth in the following paragraph.</p> <p>The Ground Lease Agreement will establish terms under which Appalachian will accept and purchase the Winkler Hall Replacement from Beyond following the completion of the Winkler Hall Replacement. After acquisition by Appalachian, the Winkler Hall Replacement will be released from the Ground Lease Agreement and the associated portion of the Leased Property will revert to Appalachian. Collectively, the Project and the Winkler Hall Replacement are referred to as the “Projects.”</p>
4. Financing	<p>100% of Project costs are to be financed with the proceeds of long-term debt issued for the benefit of Beyond.</p> <p>Appalachian shall not be obligated or liable, either directly or indirectly, for any financial or other obligation of Beyond under the bond documents for the Project, including without limitation, the payment of any portion of the principal of, interest on, or redemption premium, if any, of the bonds.</p>

	<p>Appalachian will not guarantee or otherwise be obligated to financially support Beyond's repayment obligations on the bonds.</p> <p>Construction of the Winkler Hall Replacement will be financed by Beyond through a bank loan. Once the Winkler Hall Replacement has been completed and accepted by the State, Appalachian will purchase the Winkler Hall Replacement from Beyond using proceeds of Appalachian's General Revenue Bonds, Series 2016C, which were previously authorized and issued to finance the Winkler Hall Replacement.</p>
5. Ground Lease Term	The Ground Lease Agreement will provide that Appalachian will lease the Leased Property to Beyond to build the Project and own the Project for a term not to exceed 50 years or until the date on which the bonds have been paid in full, whichever comes first.
6. Ownership of Improvements	<p>Beyond will own the improvements comprising the Project for the duration of the Ground Lease Agreement except that the Winkler Hall Replacement will be owned by Beyond until acceptance by the State and purchase by Appalachian.</p> <p>At the expiration or earlier termination of the Ground Lease Agreement, the Leased Property will revert to Appalachian and ownership of the Project will be transferred to Appalachian free and clear of all liens and encumbrances, without any contribution or compensation. At the expiration or termination of the Ground Lease Agreement, the Project must be in good and operable condition, subject to the age and reasonable wear and tear of the buildings.</p>
7. Anticipated Related Project Agreements	Beyond will enter into a development agreement with the Developer regarding the design and construction of the Projects. In addition, Appalachian anticipates entering into a management agreement with Beyond regarding the operation of the Project.
8. Ground Lease Rent to Appalachian	The Ground Lease Agreement will provide that Appalachian will be entitled to be paid rent in an amount equal to the surplus cash flow from the Project, which will equal the amount of project revenue remaining after payment of all expenses, debt service, and reserves related to the Project.
9. Option to Purchase	<p>The Ground Lease Agreement will provide Appalachian or its associated entity the option to purchase the Project and terminate the Ground Lease Agreement at a purchase price equal to the amount necessary to pay off the long-term debt issued for the benefit of Beyond and during a period of time that complies with the requirements of the bond documents.</p> <p>Upon completion of construction and acceptance of the Winkler Hall Replacement by Appalachian, subject to the terms of the Ground Lease Agreement, Appalachian will purchase the Winkler Hall Replacement from Beyond.</p>
10. Advisory Committee Structure and Controls	The Ground Lease Agreement will provide that Appalachian and Beyond will establish an Advisory Committee or similar structure made up of representatives of Beyond and Appalachian, to facilitate information

	exchange and coordination between the parties to support the management, marketing, occupancy, operation, and maintenance of the Project.
11. Operating Budget	The Ground Lease Agreement will provide that Appalachian will develop an annual operating budget for the Project subject to approval by the Advisory Committee. The Advisory Committee may not unreasonably withhold approval of the operating budget if it meets the debt service coverage ratio required in the bond documents.
12. Permitted Use	The Ground Lease Agreement will provide that the Project can be used solely to serve the institutional purposes of Appalachian by accommodating students, faculty and staff of Appalachian and people attending programs presented by Appalachian or another organization on Appalachian's campus.
13. Rental Fees	<p>The Ground Lease Agreement will provide that the student tenants of the Project will be charged fees approved by Appalachian, provided that such fees will not be less than the amount needed for Beyond to pay all operating expenses, reserves, and debt service on the bonds issued for the benefit of Beyond and to comply with the rate covenant under the financing documents.</p> <p>Annual increases in rental fees for years beyond the opening year of each phase of the Project are subject to Appalachian's approval and the requirements of the bond documents; Appalachian's approval will not be unreasonably withheld if the increase is required in order to meet debt service coverage due to operating expense increase.</p>
14. Preliminary Construction Plans and Contracts	Pursuant to the terms of a Pre-Development Agreement between Appalachian and the Developer, the Developer has provided conceptual plans for the Project.
15. University Review of Final Design and Construction Documents	<p>The Ground Lease Agreement will provide that Appalachian will be entitled to approve the final plans and specifications for the construction of the Project and the terms of all related design and construction contracts and change orders thereto.</p> <p>In accordance with the terms of the Ground Lease Agreement, Appalachian and Beyond will agree upon a plan and schedule for the preparation, delivery, review, comment, revision and finalization of design and construction documents to verify compliance with the requirements of related project agreements, applicable laws and permits, and requirements for design and construction of the Projects consistent with the RFP and the Developer's Best and Final Offer (BAFO). The Developer must design, obtain permits and approvals, and construct the Project to the specifications, standards, and quality acceptable to Appalachian and in accordance with all applicable state and local laws, rules, ordinances and requirements.</p>
16. Failure to Deliver Student Housing Facility On Schedule	If the Project is not delivered on time, the Ground Lease Agreement will provide that temporary housing will be arranged for the contracted tenants. Responsibility for making such arrangements and making upfront payments, regardless of ultimate responsibility to pay, will be assigned to the Developer.

17. Appalachian Covenants	Appalachian will be asked to treat the Project as part of its student housing program on an equal basis with its other student housing facilities, including the marketing and promotion of the Project and the provision of services to student residents of the Project in the same manner as its other student housing facilities.
18. Default	The Ground Lease Agreement will contain specific Events of Default. Appalachian will have, as a remedy for certain material Events of Default, the right to terminate the Ground Lease Agreement and take possession and occupancy of the Project. Appalachian's rights upon the occurrence of an Event of Default will be subject to reasonable notice and cure periods, and default provisions will be tailored so that termination of the lease is a last resort option. The Ground Lease Agreement will also provide the bond trustee with step-in rights to cure a default and protect the bondholders' investment in the Project.
19. Mortgaging the Leasehold	The Ground Lease Agreement will permit Beyond to mortgage its leasehold interest in the Project as security for the bonds on terms approved by Appalachian.
20. Mortgages and Other Liens	No liens will encumber the State of North Carolina's fee interest. Beyond may place liens against its leasehold interest solely to secure the initial financing of each phase of the Project and any refinancing of the outstanding principal balance thereof. Any refunding/refinance of such initial debt shall be subject to Appalachian's approval.
21. Mortgagee Rights	The Ground Lease Agreement will contain provisions giving the bond trustee, as mortgagee of Beyond, sufficient mortgagee protection provisions to allow it to cure Beyond's defaults, to assume title to Beyond's leasehold interest through foreclosure or deed in lieu of foreclosure, and to otherwise reasonably protect its interests, provided that in no event shall the Ground Lease be conveyed during or after foreclosure to a party that is not a tax-exempt entity acceptable to Appalachian and which will maintain the tax-exempt nature of all tax-exempt debt.
22. Other Terms	This Term Sheet does not include all terms contemplated to be in the Ground Lease Agreement and related Project Agreements. Other terms shall be incorporated into the Ground Lease Agreement and/or related project agreements, including rights to be retained by Appalachian and terms stated in the RFP, as modified in the documents consistent with the parties' intentions.

### III. Related Project Agreements

1. Development Agreements	<p>A Development Agreement will be entered into by Developer and Beyond at financial closing for Phase I.</p> <p>The Development Agreement will require Appalachian's approval of change orders, construction progress payments, and other material aspects of the Project. The agreement will include Appalachian's participation in</p>
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	<p>regular meetings regarding the progress of the Project and addressing any concerns of Appalachian regarding the Project.</p> <p>All agreements and contracts with the Contractors and Architects will be between the Developer and the respective party. This will include a guaranteed maximum price (GMP) contract between the Developer and the Contractor for the construction of the Project.</p>
2. Management Agreement	<p>Appalachian will contract with Beyond to provide certain operating and management services for the Project (the “Management Agreement”), for which services Appalachian will be reimbursed from project revenues as an operating expense to the Project.</p> <p>Appalachian’s operational and management responsibilities are to be defined in the Management Agreement, and are anticipated to include:</p> <ul style="list-style-type: none"> <li>- Residence life (marketing, assignments, billing, collections, and programming)</li> <li>- Security</li> <li>- Custodial services and trash disposal</li> <li>- Facility maintenance</li> <li>- Grounds and landscaping</li> <li>- Information technology management</li> </ul> <p>Asset management of the Project will be a responsibility of Beyond, including:</p> <ul style="list-style-type: none"> <li>- Fulfilling reporting requirements and maintaining compliance with covenants defined in financing documents</li> <li>- Overseeing repairs and capital improvements over the lifecycle of the assets</li> </ul> <p>The payment of operating expenses for the Project will be set out in the Management Agreement.</p>
3. Dining Facility / Convenience Store	<p>The Project is anticipated to include approximately 2,874 square feet of space to be used for a dining facility that will be made available to Appalachian or Appalachian’s food service provider, subject to restrictions associated with tax exempt debt. The dining facility square footage may change slightly as project design is finalized.</p>
4. Parking Garage	<p>The Project will include a parking garage with approximately 475 spaces that will be leased by Beyond to Appalachian under a triple-net lease for a period of ten years (the “Parking Deck Lease”). Appalachian will operate the parking garage as part of its parking system and will retain all revenues and pay all expenses associated with the parking garage’s operation. Appalachian will use revenues from its parking system to pay all amounts due under the Parking Deck Lease. Appalachian’s annual lease payments under the Parking Deck Lease will be treated as Project revenue and pledged to secure repayment of the bonds. The number of parking spaces in the garage may change slightly as the project design is finalized.</p>

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE  
UNIVERSITY OF NORTH CAROLINA SYSTEM DELEGATING  
THE AUTHORITY TO APPALACHIAN STATE UNIVERSITY TO  
ENTER INTO A GROUND LEASE AGREEMENT WITH BEYOND  
BOONE, LLC, AN AFFILIATED ENTITY OF BEYOND OWNERS  
GROUP, AND RELATED AGREEMENTS WITH RESPECT TO  
THE DEVELOPMENT OF STUDENT HOUSING DESCRIBED  
HEREIN; PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, by Chapter 116 of the General Statutes of North Carolina (the “Act”), the Board of Governors of the University of North Carolina System (the “UNC Board of Governors”) is vested with general control and supervision of the constituent institutions, as defined in the Act, which includes Appalachian State University (“Appalachian”); and

**WHEREAS**, the UNC Board of Governors is authorized under G.S.116-198.34 to (1) designate real property held by a constituent institution as a “Millennial Campus” of the institution, (2) provide for the acquisition and construction of projects located on the Millennial Campus, and (3) enter into contracts and agreements related to the acquisition and construction of such projects; and

**WHEREAS**, at the request of the Board of Trustees of Appalachian (the “Appalachian Board”), the UNC Board of Governors previously designated a portion of Appalachian’s campus as a Millennial Campus to facilitate the development of new student housing facilities; and

**WHEREAS**, Appalachian conducted a competitive selection process which included a request for qualifications followed by a request for proposals to solicit public-private partnership proposals for the development of student housing facilities that will include the replacement of Winkler Hall, the construction of three other residence hall facilities, and the construction of related surface and structured parking (collectively, the “Project”) on Appalachian’s Millennial Campus and has selected the development team of RISE Boone, LLC, an affiliated entity of RISE Development, LLC (“RISE”), as the developer for all the Project improvements; and

**WHEREAS**, the Project will be jointly developed by RISE and Beyond Boone, LLC (“Beyond”), whose sole member is the Beyond Owners Group, a national not-for-profit 501(c)(3) organization, in order to take advantage of tax exempt financing available for the Project; and

**WHEREAS**, Appalachian now seeks authorization from the UNC Board of Governors (1) to ground lease the project site to Beyond; and (2) to authorize certain Appalachian officials to enter into those agreements anticipated by the ground lease that are necessary to bring the Project to completion.

**NOW, THEREFORE, BE IT RESOLVED** by the UNC Board of Governors as follows:

Section 1. **Authorization of the Ground Lease Agreement.** The authority to enter into a ground lease agreement with Beyond with respect to the Project (the “Ground Lease Agreement”) is hereby delegated to the Chancellor of Appalachian, or the Chancellor’s designee (each, an “Authorized Officer”). The form and content of such Ground Lease Agreement shall be consistent with the material terms and provisions of the term sheet made available to the UNC Board of Governors and shall be in a form acceptable to the Authorized Officer.

Section 2. **General Authorization.** Appalachian, by and through its Authorized Officer, is hereby delegated the authority, to enter into those agreements anticipated by the Ground Lease Agreement that are necessary to bring the Project to completion.

Section 3. ***Conflicting Provisions.*** All resolutions or parts thereof of the Board of Governors in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 4. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 10th day of October, 2018.

STATE OF NORTH CAROLINA

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SS:

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COUNTY OF ORANGE

SECRETARY'S CERTIFICATE  
OF AUTHENTICATION

I, ANDREA POOLE, Senior Associate Vice President and Secretary of the University of North Carolina, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its meeting on October 10, 2018 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on October 10, 2018 was sent to each member of the Board, and (3) a quorum was present at the meeting on October 10, 2018 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina this 10th day of October, 2018.

[SEAL]

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ANDREA POOLE, Senior Associate Vice  
President and Secretary  
University of North Carolina



# Appalachian State University Ground Lease Discussion

Presented to the UNC Board of Governors  
by Chancellor Sheri Everts and  
Vice Chancellor for Business Affairs Paul Forte

October 2018



Appalachian  
STATE UNIVERSITY

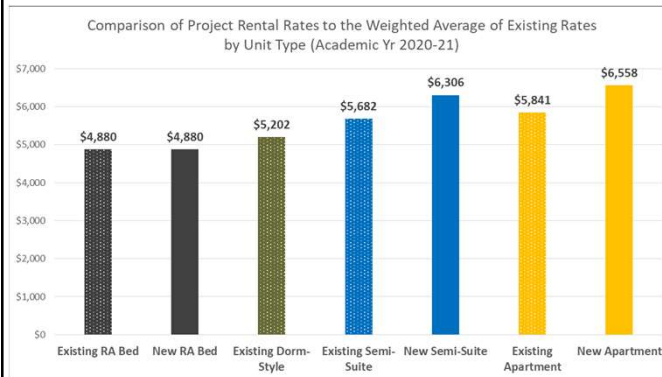
## Project Background

- Through a competitive procurement process, App State selected RISE: A Real Estate Company (RISE) to develop on-campus housing in a public-private partnership:
  - Approximately 2,100 total beds and a 477-space parking deck will create an iconic campus development;
  - \$191 million total project budget (development and financing costs); and,
  - Three-phase delivery in Fall 2020, Fall 2021, and Fall 2022.
- The Project will be financed using both private funds and existing University bond funds.
  - Approximately 330 beds will be constructed by RISE and purchased and owned by App State using proceeds from its General Revenue Bonds, Series 2016C to replace the former Winkler Hall.
  - Approximately 1,770 beds and the parking deck will be financed and owned by Beyond Owners Group (Beyond) through tax-exempt debt.



Appalachian  
STATE UNIVERSITY

## Rental Rate Comparison



\*\*Rents for existing beds in 2020-21 are based on current rates plus a 4% annual increase.

- Rate Increases Relative to Existing Stock:\*\*

- Semi-suite: 10%
- Apartment: 12%

Appalachian  
STATE UNIVERSITY

## Benefits of a Public-Private Partnership

Project Objectives	P3 Approach	Rationale
Accelerated Project Delivery	✓	Structure shifts portion of delivery risk to private sector and reduces timeframe for completion
Cost Assurance	✓	Accelerated delivery and longer amortization reduce rental rate impact
Project Scale	✓	Multi-phased approach provides a global solution for App State's housing needs
Transformational Design	✓	Holistic development team and comprehensive approach enable dramatic campus revitalization
Private-Sector Expertise	✓	Process allows App State to tap into development team's experience to reduce costs

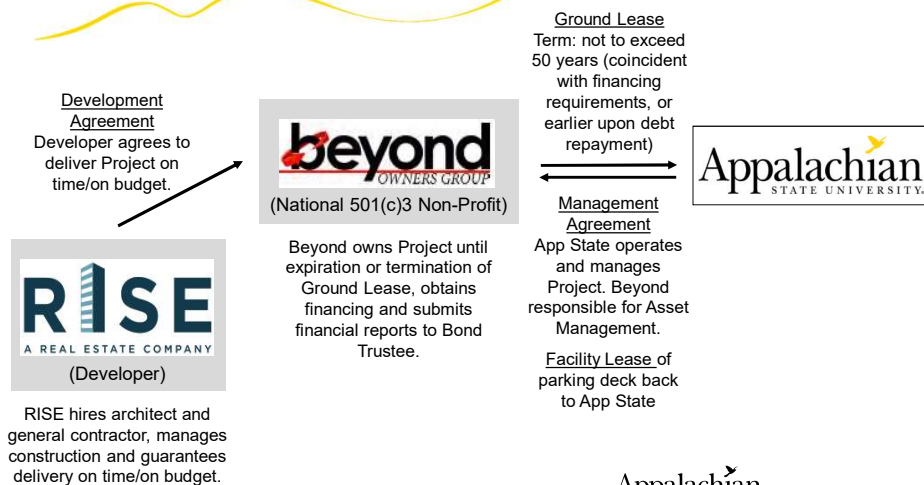
Appalachian  
STATE UNIVERSITY

## Project Team

- In May 2018, the Board of Governors authorized App State to enter into a Pre-development Agreement with RISE.



## Transaction Structure



## Transaction Structure



- Under the proposed transaction structure, App State retains 100% of surplus cash flow from the Project.
  - Surplus cash flows are projected to have a Net Present Value (NPV) of \$31.6 million over 40 years (assumes 5% discount rate).
- 501(c)(3) tax-exempt bond financing requires the Project to set aside reserves for planned reinvestment:
  - The Project budget allocates \$328/bed each year for Information Technology and general housing replacement and repair, escalating annually

Appalachian  
STATE UNIVERSITY

## Ground Lease Agreement



- App State is seeking BOG authorization to enter into a Ground Lease Agreement with Beyond.
- A Ground Lease Agreement between App State and Beyond will:
  - Provide Beyond with a leasehold interest in the Project site;
  - Allow Beyond to obtain Project financing;
  - Obligate Beyond to develop the Project and own the privately-financed improvements for the duration of the ground lease;
  - Establish terms for the ongoing governance of the Project; and,
  - Provide for App State's right to approve plans and specifications for the Project.
- The Ground Lease Agreement is the foundation for related agreements on the development and management of the Project.

Appalachian  
STATE UNIVERSITY

# Related Project Agreements



## Overview of the Development Agreement

- Beyond will enter into a Development Agreement with RISE.
  - App State will not be a signatory, but will retain oversight of design and construction through the Ground Lease Agreement.
- A Development Agreement will:
  - Obligate RISE for the on-time and on-budget delivery of the Project;
  - Enable RISE to engage the General Contractor, leading to a Guaranteed Maximum Price (GMP).
- App State will not be at risk for cost overruns during construction.
- RISE will be responsible for providing temporary housing and related services in the event of late delivery.

**Appalachian**  
STATE UNIVERSITY

# Related Project Agreements



## Overview of the Management Agreement

- Beyond will enter into a Management Agreement with App State.
- A Management Agreement will:
  - Obligate App State to operate and manage the Project on behalf of Beyond, to the same standards as App State housing;
  - Obligate Beyond to provide for capital reinvestment and long-term asset management of the Project;
  - Provide that App State will be reimbursed for its services as an operating expense to the Project; and,
  - Set annual budgeting and capital improvement planning procedures.

**Appalachian**  
STATE UNIVERSITY

## Related Project Agreements



### Overview of the Parking Facility Lease

- Beyond will lease the parking deck to App State through a 10-year triple-net lease.
- Lease revenue to Beyond will repay debt service on parking garage financing.
- The Lease Agreement will:
  - Establish App State's exclusive access to the parking deck;
  - Provide that App State will operate and manage the parking deck and will retain all revenues generated.

Appalachian  
STATE UNIVERSITY

## Ground Lease Terms



- App State requests authority for a Ground Lease Agreement that would include the following terms:

### Ground Lease Agreement Material Terms:

<b>Lessor:</b>	Appalachian State University (App State)
<b>Lessee:</b>	Beyond Boone, LLC, whose sole member is Beyond Owners Group (Beyond)
<b>Ground Lease Term:</b>	Not to exceed 50 years
<b>Financing:</b>	Privately-owned beds and parking improvements financed with 100% long-term debt issued for the benefit of Beyond. Private financing is non-recourse to App State. University-financed improvements will not be governed by the Ground Lease Agreement.
<b>Improvements:</b>	Three residential buildings, including: <ul style="list-style-type: none"> <li>• Approximately 1,770 student housing beds in suite- and apartment-style units</li> <li>• Approximately 3,000 SF of retail space</li> </ul> A 477-space structured parking deck and 343 surface parking spaces
<b>Owner of Improvements During Lease Term:</b>	Beyond
<b>Owner of Improvements Upon Lease Expiration</b>	App State

## Ground Lease Terms (Cont.)

### Ground Lease Agreement Material Terms:

<b>Land Rent:</b>	Net available cash flow
	Net available cash flow is produced from the Project annually.
<b>Net Available Cash Flow:</b>	Net available cash flow is the result of rents from student tenants and non-rent revenues (including conference revenues, fees, fines, etc.), following payment of debt service, operating expenses, and required reserves. Net available cash flow is driven by the financing requirement to meet a minimum 1.20x debt coverage ratio.
<b>Exit Provisions:</b>	<p>App State, or its associated entity, will have the option to purchase the improvements and terminate the Ground Lease Agreement at a price equal to the amount necessary to pay off the bonds.</p> <p>App State will also have the right to terminate the Ground Lease Agreement and take possession of the improvements as a remedy for certain Events of Default.</p>
<b>Winkler Hall Replacement:</b>	In Phase I of the Project, RISE will construct a building with approximately 330 beds to replace the former Winkler Hall (Winkler Hall Replacement) under the terms of the Ground Lease Agreement. Beyond will finance the construction of the building and own the improvements according to the Ground Lease Agreement until the Winkler Hall Replacement is acquired by App State. At that time, the Winkler Hall Replacement will be released from the Ground Lease Agreement and the associated Leased Property will revert to App State.

## Timeline

Date	Milestone
September 2017	Request for Qualifications issued: <i>Complete</i>
December 2017	Developers shortlisted and Request for Proposals issued: <i>Complete</i>
May 2018	Board of Governors authorizes App State to enter into a Pre-Development Agreement with selected developer, RISE: <i>Complete</i>
August 2018	Housing design development: <i>Complete</i> Parking deck design, GMP, and permitting: <i>Complete</i>
August 2018	Begin construction of parking deck foundation: <i>Initiated</i>
September 14, 2018	Board of Governors delegates authority to App State for Ground Lease Agreement and related Project Agreements
January 2019	RISE to state a guaranteed maximum price (GMP) for the entire Project
February 2019	Targeted financial close Ground Lease, and related Project Agreements executed concurrently
February 2019	Begin vertical construction of parking deck and construction of Phase I housing components
August 2019	Parking deck construction complete
August 2020	Phase I housing ready for move-in

# Campus Request



Section 1. ***Authorization of the Ground Lease Agreement.*** The authority to enter into a Ground Lease Agreement with Beyond is hereby delegated to the Chancellor of Appalachian, or the Chancellor's designee (the "Authorized Officer"). The form and content of such Ground Lease Agreement shall be consistent with the material terms and provisions of the term sheet made available to the UNC Board of Governors and shall be in a form acceptable to the Authorized Officer.

Section 2. ***General Authorization.*** Appalachian, by and through its Authorized Officer, is hereby delegate the authority, to enter into those agreements anticipated by the ground lease that are necessary to bring the Project to completion.

Appalachian  
STATE UNIVERSITY



**AGENDA ITEM**

A-9. Millennial Campus Expansion Request – Appalachian State University ..... Paul Forte

**Situation:** The Board of Trustees of Appalachian State University has requested that the Board of Governors expand the area currently designated as a Millennial Campus to include five additional areas totaling approximately 90 acres, increasing opportunities for public-private partnerships and regional economic development.

**Background:** G.S. 116-198 Article 21B: The Centennial Campus, the Horace Williams Campus, and the Millennial Campuses Financing Act define the process for seeking the Millennial Campus designation. The legislation states that the Board of Governors may act on recommendations by the president of the UNC System after consultation with the chancellor and the board of trustees of a constituent institution to designate real property held by, or to be acquired by, a constituent institution as a Millennial Campus of the institution.

That designation shall be based on an express finding by the Board of Governors that the institution desiring to create a Millennial Campus has the administrative and fiscal capability to create and maintain such a campus. Furthermore, the Board of Governors shall have determined that creating the constituent institution's Millennial Campus will enhance the university's research, teaching, and service missions, as well as the economic development of the region served by the institution.

**Assessment:** The Millennial Campus concept has been widely and successfully used by NC State, UNC-Chapel Hill, N.C. A&T/UNC Greensboro, Appalachian, ECU, UNC Charlotte, UNC Wilmington, and WCU. The proposed additions include the 75-acre Old Watauga High School site, the 2.1-acre Legends site, the Howard Street property at approximately .6 acres, Appalachian Panhellenic Hall at approximately 5.5 acres, and the expansion of the existing University Hall Millennial site at approximately 6.7 acres.

Plans for the Old Watauga High School site include the development of sports and recreation fields, which are being relocated from the stadium area. Long-range plans include the potential development of a hotel and conference center supporting athletic events and seminars. Housing, parking, collaborative academic spaces, and mixed use developments are anticipated, which will advance regional economic development.

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

# October 2018 Millennial Campus Presentation

Presented to the UNC Board of Governors  
by Chancellor Sheri Everts and  
Vice Chancellor for Business Affairs Paul Forte

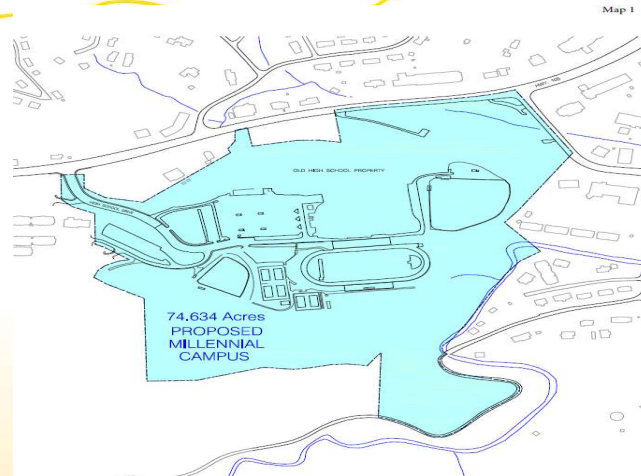
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## Millennial Expansions

- The Highway 105 property (Old Watauga High School), consisting of approximately 75 acres.
- The Legends site, consisting of approximately 2.1 acres.
- Howard Street property, consisting of approximately .6 acres.
- Appalachian Panhellenic Hall, consisting of approximately 5.5 acres.
- Expansion of the existing University Hall Millennial site, consisting of approximately 6.7 acres.

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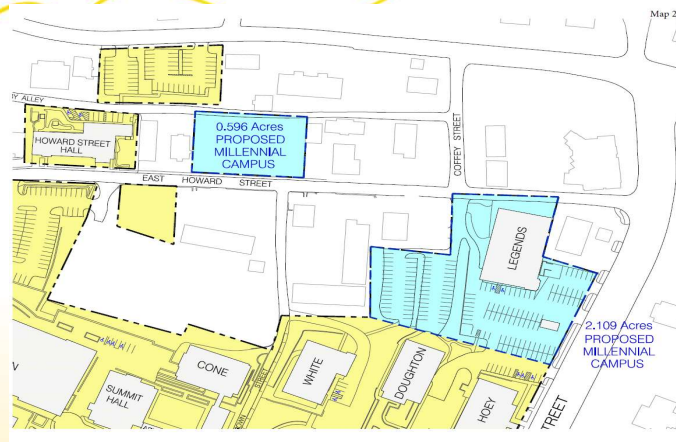
## Highway 105 Property



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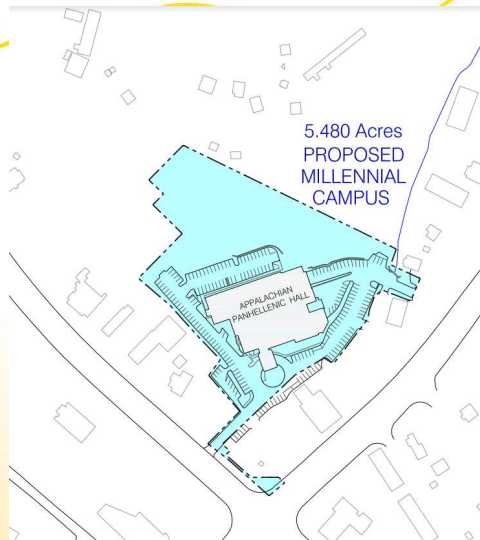
## Legends and Howard Street



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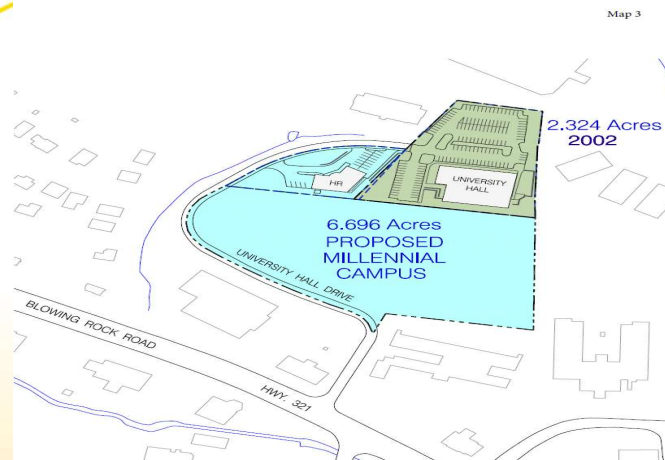
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## Panhellenic Hall



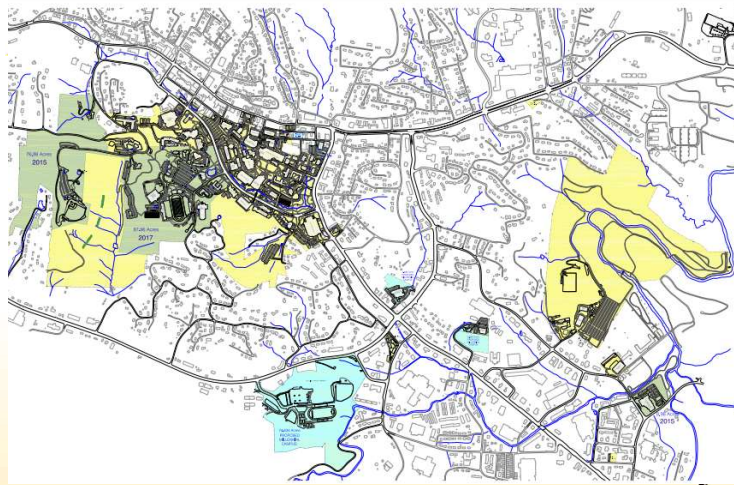
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STATE UNIVERSITY

## University Hall



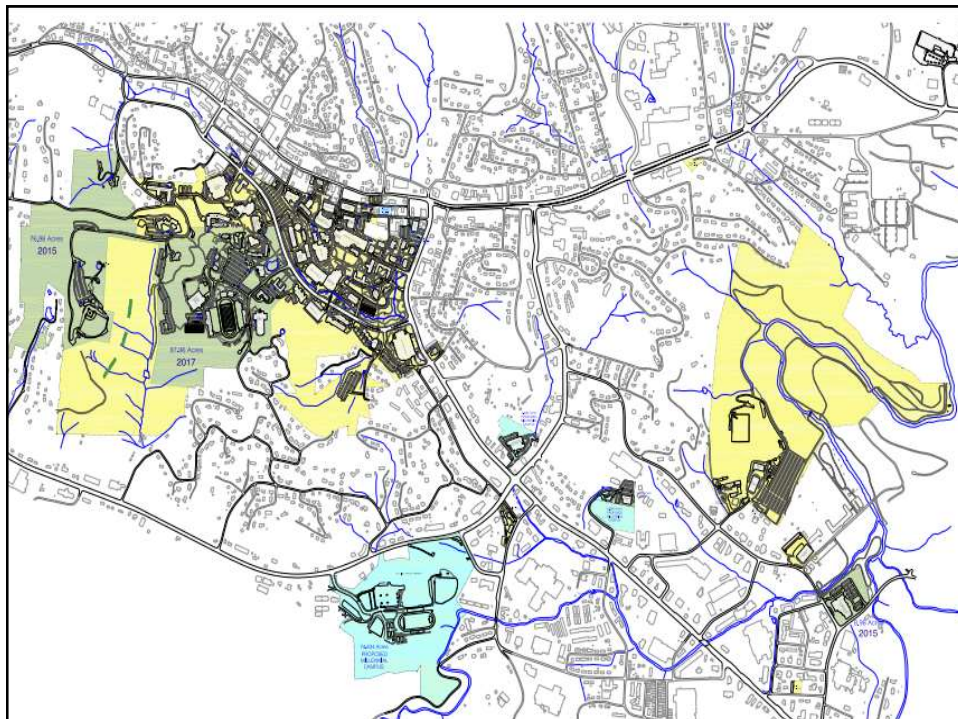
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## Campus Millennial Map



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## Potential Develop Opportunities

- Collaborative Academic Spaces
- Student Housing Expansions
- Mixed Use Development
- Sports and Recreation
- Parking Facilities
- Other Economic Development Investments

## Summary

- Successful model at other constituent institutions.
- Authorized by North Carolina General Statute 116-198 Article 21B.
- Increases public/private opportunities for housing, conference/meeting space, recreation and athletic facilities, and more.
- Expansion and revision can enhance Appalachian's institutional teaching, research and service missions.
- Opportunities to advance regional economic development.

# Request for Approval



The Board of Trustees of Appalachian State University respectfully requests that the UNC Board of Governors approve the expansion of its existing Millennial Campus to add to the existing area of the Millennial Campus the following sites:

- The Old Watauga High School Property, consisting of approximately 75 acres
- The Legends site, consisting of approximately 2.1 acres
- Howard Street property, consisting of approximately .6 acres
- Appalachian Panhellenic Hall, consisting of approximately 5.5 acres
- Expansion of the existing University Hall millennial site, consisting of approximately 6.7 acres

Appalachian  
STATE UNIVERSITY



**AGENDA ITEM**

A-10. Authorization of Predevelopment Agreement – NCCU .....Akua Matherson

**Situation:** North Carolina Central University requests that the Board of Governors authorize the university to enter into a predevelopment agreement with Corvias (the Developer) in connection with a project to develop student housing facilities. This project includes the development of approximately 1,275 beds and related infrastructure on three sites on NCCU's campus.

**Background:** The Board of Governors is authorized under G.S. 116-13 to acquire real property in compliance with the provisions of G.S. 143, including the provisions for public private partnership construction contracts authorized under G.S. 143-128.1C.

NCCU conducted a competitive selection process that included a request for qualifications followed by a request for proposals to qualify potential developers and solicit public-private partnership proposals for the development of the project. Based on the results of that process, NCCU determined that, when compared to NCCU's traditional delivery and financing options, a public-private partnership model would deliver additional value and savings to NCCU, reduce the timeframe for project delivery, and reduce the minimum student rental rates necessary to support the project.

To advance the design and development plans for the project, NCCU is requesting the Board's authorization to enter into a predevelopment agreement with Corvias, LLC, the developer selected through NCCU's competitive procurement process.

**Assessment:** Under the terms of the predevelopment agreement, NCCU would not be responsible for any of the developer's advance planning costs through financial close, unless NCCU determines that it is in its best interest to unilaterally terminate the predevelopment agreement without cause. In this case, NCCU 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 \$6,588,869. NCCU would be responsible for its share of such costs only if the project failed to move forward. If owed, such funds will be paid from housing reserves funded from housing receipts. If the project reaches financial close, all predevelopment costs will be paid from the proceeds of the financing to be provided by the nonprofit owner of the project. NCCU will request Board approval of the ground lease.

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





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# NC Central UNIVERSITY

Predevelopment Agreement Authorization Request  
Presented to the UNC Board of Governors  
**North Carolina Central University**

October 9, 2018

## Agenda

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I. Defining the Need & Partner Selection (Housing Master Plan + P3 Process)

II. Assessing the Value Proposition (Business Case)

III. Requesting Authorization (Pre-Development Agreement)



## Defining the Need (Housing Master Plan)

### Housing Master Plan

- In 2017, NCCU engaged Rieth Jones Advisors (RJA) to assess the University's housing needs, assist the Administration and Board of Trustees in evaluating their options, and guide NCCU in developing a comprehensive Housing Master Plan.
- NCCU currently operates 2,828 total on-campus beds, approximately 70% of which are community-style, double-occupancy rooms.
- Housing's waitlist has averaged approx. 260 students the past four years. This is driven by a suboptimal mix of available beds (70% traditional) and the lack of nearby off-campus apartment options, forcing NCCU to lease off-campus apartment and hotel beds.
- NCCU requires freshmen to live on campus and has adopted a new policy to extend the live-on requirement to sophomores, which, when fully implemented, will bring an estimated 500 additional second-year students into NCCU's on-campus housing system.
- An estimated 350-450 additional junior, senior, and graduate students would remain on campus if additional apartment-style offerings existed. These students have been pushed off campus into private housing due to a lack of on-campus supply and NCCU's recent growth.
- Based on current and historical capture rates, implementing the sophomore live-on requirement, and unmet demand for additional on-campus apartment housing, the Housing Master Plan identified a need for 850 additional on-campus beds at NCCU.

Classification	Full-Time Enrollment	Capture Rate	Potential Demand	Target Market Demand by Unit Type		
				Traditional	Suites	Apartments
Freshman	1,953	90%	1,758	1,758	0	0
Sophomore	1,493	75%	1,120	0	1,120	0
Junior	1,323	35%	463	0	0	463
Senior	1,111	25%	278	0	0	278
Other Undergraduate	115	0%	0	0	0	0
Graduate/Professional	1,343	5%	67	0	0	67
<b>Total</b>	<b>7,338</b>	<b>50.0%</b>	<b>3,685</b>	<b>1,758</b>	<b>1,120</b>	<b>808</b>
Current Capacity & Bed Mix			2,828	1,973	408	447
Projected Demand (Oversupply)			857	(215)	712	361

## Defining the Need (P3 Project Objectives)

### Implementing the Master Plan via P3

- NCCU's Board of Trustees approved the Housing Master Plan in September 2017.
- The Housing Master Plan recommended a Public-Private Partnership (P3) to replace 420 existing beds with deferred maintenance issues and add approximately 850 new on-campus beds for upper-division students.
- The implementation strategy addresses NCCU's latent housing demand, optimizes the on-campus housing mix to allow for the sophomore live-on policy to begin, and create stronger living-learning environments tailored to NCCU's student success efforts.
- To minimize disruption to the campus and NCCU's existing housing system, the plan called for the new housing project to be delivered in two phases, with the first 820 beds delivered by August 2020 and the remaining 450 beds delivered by August 2021.
- To help evaluate the benefits and considerations of each proposal and the various structural, delivery, and financing options available to NCCU through a P3, a University-appointed Selection Committee identified several objectives for the project:

#### Primary Goals & Objectives for NCCU's P3 Housing Project

- Address deferred maintenance and renovation needs with existing on-campus housing system.
- Provide additional suite-style beds to implement the BOT approved sophomore live-on requirement.
- Ensure unit-type offerings match student preferences and remain competitive with peers.
- Provide additional apartment-style housing for juniors, seniors, and graduate students.
- Protect student housing affordability and accessibility on campus at NCCU.
- Accelerate the delivery timeline to limit the impact of rising construction costs and interest rates.
- Develop comprehensive approach to address housing needs, including deferred maintenance.
- Leverage private sector expertise and efficiencies to supplement NCCU's capital project capacity.

# Selection Process & Participants

## Overview of the Procurement Process

- On February 2, 2018, NCCU issued a Request for Qualifications ("RFQ") outlining the general program parameters developed as part of the Housing Master Plan. The University received nine responses from national student housing developers.
- The Evaluation Committee evaluated all nine submissions and invited the four most-qualified firms to submit proposals as part of the Request for Proposals ("RFP") process. That RFP was distributed on March 19, 2018.
- NCCU received RFP responses from all four shortlisted developers on May 4, 2018. The Committee, with assistance from its development and financial advisors, interviewed all four teams (developer + designers + contractor + financing).
- After scoring each respondent based on the evaluation criteria outlined below, NCCU selected the team lead by Corvias as its preferred development partner for the P3 housing project.

Procurement Process Participants	
NCCU Selection Committee	Administration & Finance
	Facilities Management
	Housing & Residential Life
	Student Affairs
NCCU Advisors	Auxiliary Services
	NCCU General Counsel
	BMO (Outside Counsel)
	First Tryon Advisors
	Rieth Jones Advisors

### Interaction with the University

- Quality of Proposal/Presentation
- Internal Team Interaction
- Engagement with Committee
- Responsiveness to Questions
- Confidence in Opportunity

### Project Economics

- Impact on Rental Rates
- Total Project Cost
- Net Cash Flow to NCCU
- Dining Participation & Integration
- Development Fee

### Experience & Development Team

- Developer Evaluation
- Designer Evaluation
- Contractor Evaluation
- Financing/Banker Evaluation

### Alignment with Institutional Goals

- Building Program & Site Plan
- Design Concepts
- HUB Plan & Participation
- Phasing/Implementation Strategy

### Property & Asset Management

- Residential Education
- Marketing Support to NCCU
- Capital Planning
- Preventative Maintenance Plan
- Property Management
- Incentive Fees

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# Proposed P3 Development Sites



P3 project includes approx. 1,270 total beds on three sites in two phases:  
Phase I George Street (semi-suites) and Chidley (apartments); Phase II Lawson Street (semi-suites).

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3

## Assessing the Value Proposition

### Business Case & Development Comparison

- The table below compares a NCCU self-developed scenario to the current Corvias P3 proposal focusing on key metrics such as structure, timing, cost, student affordability, and economic feasibility.
- The numbers are subject to change as NCCU continues to negotiate with Corvias and drive additional value to the University; however, the University firmly believes that the best long-term solution for NCCU and its students is through the P3 with Corvias.

Key Comparisons	NCCU Self-Develop	Corvias P3 Proposal
Financing Structure	NCCU General Revenue Bonds	501(c)3 Tax-Exempt Bonds
Total Beds & Gross Square Feet	1,270 beds / 368,000 GSF	1,270 beds / 368,000 GSF
Delivery Years	2021-2023	2020-2021
Total Project Cost (Estimated)	\$125,000,000	\$114,000,000
Cost per Gross Square Foot	\$340	\$310
Cost per Bed	\$98,400	\$89,800
Rental Rates (Per Semester; Today's Dollars)	\$3,960 (semi-suite) \$4,130 (4BR apt)	\$3,960 (semi-suite) \$4,130 (4BR apt)
Debt Service Coverage Ratio (Projected for FY2022) 30-yr term (Self-Develop); 35-yr term (P3)	0.85x	1.20x
Minimum Rental Rates to Achieve Required DSCR (Projected for FY2022; Today's Dollars) Required DSCR – 1.10x (Self-Develop); 1.20x (P3)	30% increase \$5,150 (semi-suite) \$5,370 (4BR apt)	0% increase \$3,960 (semi-suite) \$4,130 (4BR apt)

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## Assessing the Value Proposition

### Benefits and Considerations of a P3 Project

- P3s introduce additional complexity, legal arrangements and financing costs that must be borne by the project's cash flows.
- NCCU has engaged outside counsel and consultants with national experience to help negotiate the agreements and mitigate risk.
- Despite the increased complexity, financing costs and cost of capital, a P3 approach helps NCCU achieve several of its stated goals.

Selected Goals & Objectives	Traditional Approach	P3 Approach	Rationale
Protect student affordability and accessibility		✓	<ul style="list-style-type: none"> <li>Accelerated delivery and longer term reduce rental rate impact</li> </ul>
Limit credit impact to the University and preserve debt capacity for other strategic projects		✓	<ul style="list-style-type: none"> <li>Project-finance structure may reduce credit impact and preserve NCCU's ability to finance other projects</li> </ul>
Develop comprehensive approach to address housing needs, including deferred maintenance		✓	<ul style="list-style-type: none"> <li>Approach provides a global solution to NCCU's housing needs</li> </ul>
Accelerate delivery to limit impact of rising construction costs and enable implementation of sophomore live-on requirement by Fall 2020		✓	<ul style="list-style-type: none"> <li>Structure shifts portion of construction and delivery risk to private sector and reduces timeframe for completion by 18 to 24 months</li> </ul>
Leverage private sector expertise and efficiencies to increase NCCU's development capacity and reduce total program costs		✓	<ul style="list-style-type: none"> <li>Private sector expertise helps generate ideas, expand NCCU's development capacity, and reduce life-cycle costs</li> </ul>

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# Authorization Request

## Proposed Pre-Development Agreement Summary

- Under the terms of NCCU's proposed Pre-Development Agreement (PDA), Corvias will front all costs from selection through financial closing (estimated mid-December 2018).
- If the parties fail to reach financial close, then NCCU will have no obligation to reimburse the developer for any portion of its development expenses unless:
  - Corvias terminates the PDA because NCCU has not cured a material breach beyond any applicable notice, grace or cure period.
  - NCCU terminates the PDA for convenience.
- NCCU is requesting authorization to enter into the PDA with a maximum potential exposure of \$6,435,000, representing 100% of the agreed-upon predevelopment budget under the terms of the PDA (including demolition and abatement).
- In addition, Corvias has not included any predevelopment fees in the predevelopment budget, meaning Corvias will earn a development fee only if the project successfully reaches financial close.

Section 1. **Authorization of the Pre-Development Agreement.** The authority to enter into a Pre-Development Agreement with Corvias is hereby ratified and confirmed and the authorization to execute and deliver the Pre-Development Agreement is hereby delegated to the Chancellor of NCCU, 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 Pre-Development Agreement is limited such that NCCU may not be responsible for predevelopment expenses through financial close, except in the case that NCCU unilaterally terminates the Pre-Development Agreement without cause, in which case NCCU may be responsible for the full amount of pre-development expenses incurred by Corvias through the date of termination not to exceed \$6,435,000.



**NCCentral**  
UNIVERSITY

Predevelopment Agreement Authorization Request

Presented to the UNC Board of Governors

North Carolina Central University

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**AGENDA ITEM**

A-11. Millennial Campus Designation – NCCU.....Akua Matherson

**Situation:** The Board of Trustees of North Carolina Central University has requested that the Board of Governors approve the designation of just over 32 acres on its campus as a Millennial Campus.

**Background:** G.S. 116-198 Article 21B: The Centennial Campus, the Horace Williams Campus, and the Millennial Campuses Financing Act define the process for seeking the Millennial Campus designation. The legislation states that the Board of Governors may act on recommendations by the president of the UNC System after consultation with the chancellor and the board of trustees of a constituent institution to designate real property held by, or to be acquired by, a constituent institution as a Millennial Campus of the institution.

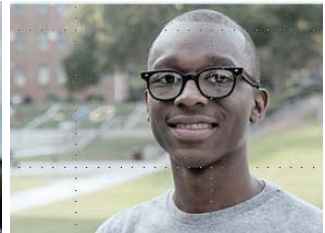
That designation shall be based on an express finding by the Board of Governors that the institution desiring to create a Millennial Campus has the administrative and fiscal capability to create and maintain such a campus. Furthermore, the Board of Governors shall have determined that creating the constituent institution's Millennial Campus will enhance the university's research, teaching, and service missions, as well as the economic development of the region served by the institution.

**Assessment:** The Millennial Campus concept has been widely and successfully used by NC State, UNC-Chapel Hill, N.C. A&T/UNC Greensboro, Appalachian, ECU, UNC Charlotte, UNC Wilmington, and WCU. The proposed NCCU Millennial Campus designation includes areas for campus housing development including retail/dining and student services (17.6 acres), parking (4.3 acres), recreation and athletics (4.4 acres), and entrepreneurship associated with the new School of Business (5.8 acres).

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



# NC Central UNIVERSITY



## Request for Millennial Campus Designation

Presented to the UNC Board of Governors by:

Dr. Johnson O. Akinleye, Chancellor

Akua Matherson, Associate Vice Chancellor – Administration & Finance

Zack Abegunrin, Interim Associate Vice Chancellor – Facilities Management

## North Carolina Central University

October 9, 2018

## Millennial Campus Designation Request

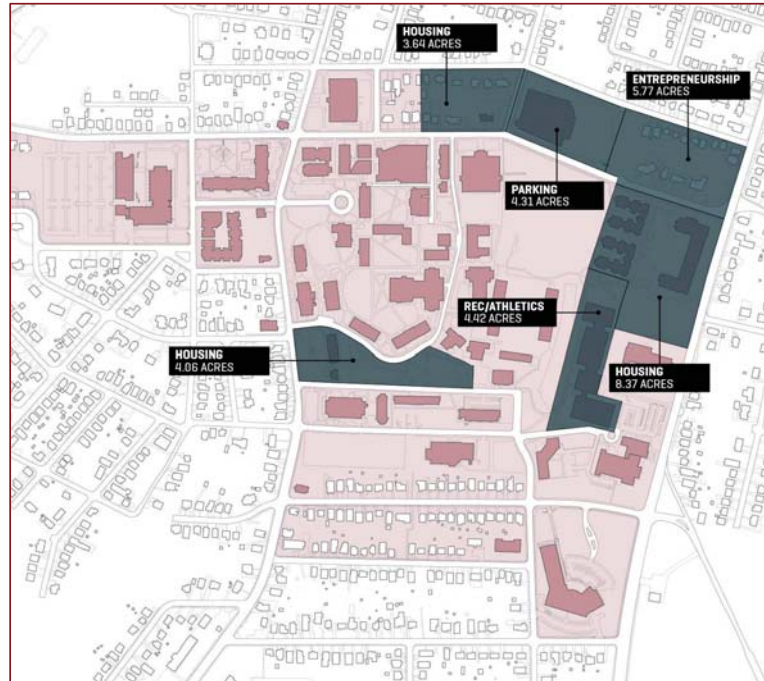
- North Carolina Central seeks approval for a 30.6 acre (26% of campus) "Millennial Campus" designation to **enhance** the institution's **research**, **teaching**, and **service** missions and **promote the economic development** of the region served by the University.
- Provides greater flexibility for the Public-Private Partnership ("P3") student housing project to reduce capital and operating costs while maximizing value to NCCU and its students.
- Enables the University to prepare for planned and future economic development and entrepreneurship opportunities.
- Positions the University to expand on innovations in healthcare research and strategic partnerships.



## Millennial Campus Objectives & Planning

### 30.6 acres (26% of campus) to support:

- 1,270 beds (853 net new) on three sites (Chidley, George St, and Lawson St)
- Chidley Retail/Dining/ Student Services HUB
- New School of Business (borders NC 55 between Lawson & Dupree)
- Campus Recreation/ Athletics enhancements



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## Millennial Campus Vision

North Carolina Central University will build on its institutional strategic priorities in the implementation of the proposed Millennial Campus.

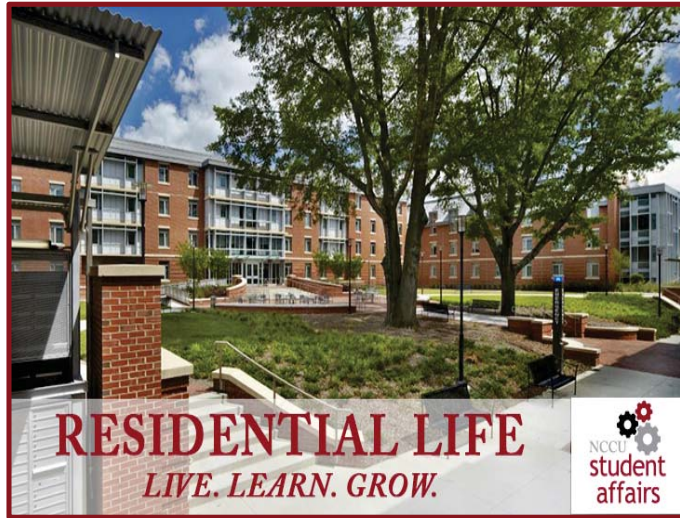
					
<b>ONE</b>	<b>TWO</b>	<b>THREE</b>	<b>FOUR</b>	<b>FIVE</b>	<b>SIX</b>
Embrace student success and offer multiple access points for students seeking higher education.	Expand NCCU's portfolio of academic offerings and research initiatives and provide new opportunities for global immersion.	Expand partnerships with higher education institutions, community colleges, K-12, private industry and nonprofits to recruit, support and employ students.	Facilitate the development of innovative strategies with Durham County, the City of Durham and the Research Triangle to create economic opportunity and revitalization in areas surrounding NCCU.	Reinforce and invest in improved security measures to enhance campus safety and well-being.	Improve and build new infrastructure to better accommodate the NCCU community as it grows and thrives.



## Alignment with Strategic Priorities (*Housing*)

**16.1 acres to support the construction of approximately 1,270 beds (853 net new) and the Chidley retail/dining/student services HUB through the P3 project.**

- Priority One: Student Success. Embrace student success and offer multiple points for students seeking higher education.
- Priority Five: Reinforce and invest in improved security measures to enhance campus safety and well-being.
- Priority Six: Improve and build new infrastructure to better accommodate the NCCU community as it grows and thrives.



## Alignment with Strategic Priorities (*Business*)

**5.8 acres at the new School of Business will encourage increased corporate and private investments in entrepreneurship programs and offerings.**

- Priority Two: Expand NCCU's portfolio of academic offerings and research initiatives and provide new opportunities for global immersion.
- Priority Five: Reinforce and invest in improved security measures to enhance campus safety and well-being.
- Priority Six: Improve and build new infrastructure to better accommodate the NCCU community as it grows and thrives.



## Alignment with Strategic Priorities (*Recreation*)

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**4.4 acres to include the existing Walker Campus Recreation Complex for strategic programs and community offerings.**

- Priority Three: Expand partnerships with higher education institutions, community colleges, K-12, private industry and nonprofits to recruit, support and employ students.
- Priority Four: Facilitate the development of innovative strategies with Durham County, City of Durham and the Research Triangle to create economic opportunity and community revitalization in areas surrounding NCCU.



## Request for Approval Summary

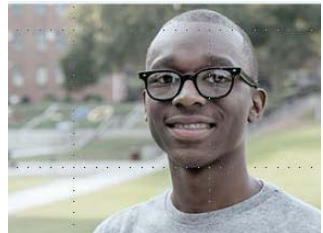
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- Expands the ***“Best and Most Valuable Use”*** opportunities for existing University properties and planned land acquisitions to include:
  - *Public Private Partnership (P3) student housing project*
  - *Supports the innovation/entrepreneurship/medical partnership opportunities and ties to the Durham community*
  - *Economic development opportunities of the Durham-Orange Light Rail*
- Consistent with the University’s 2018 Campus Master Plan.
- Aligns with the strategic priorities of the University.
- NCCU and its Board of Trustees respectfully request that the UNC Board of Governors consider and approve Millennial Campus designation to establish the *North Carolina Central Innovation and Community Engagement Campus*.





# NC Central UNIVERSITY



## Request for Millennial Campus Designation

Presented to the UNC Board of Governors by:

Dr. Johnson O. Akinleye, Chancellor

Akua Matherson, Associate Vice Chancellor – Administration & Finance

Zack Abegunrin, Interim Associate Vice Chancellor – Facilities Management

## North Carolina Central University

October 9, 2018

**AGENDA ITEM**

A-12. Approval of Establishment of a For-Profit Associated Entity – UNC-Chapel Hill..... Clinton Carter

**Situation:** UNC-Chapel Hill has requested approval to establish a for-profit associated entity (“KFBSF Private Equity Fund IV”) to manage private investment funds as an educational program at the Kenan-Flagler School of Business.

**Background:** Section 600.2.5.2[R] (specifically Section C.2.) of the UNC Policy Manual requires constituent institutions to receive approval from the Board of Governors to establish an associated entity on a for-profit basis. Since 2006, the Kenan-Flagler School of Business has established seven for-profit student investment funds (three private equity and four real estate) with Board approval. These funds range from \$2.5 million to \$3.6 million in size and are each established primarily as an educational program. Students in both the MBA and Bachelor of Science in Business Administration (BSBA) programs evaluate investment opportunities and make recommendations to the General Partner, KFBSF, Inc., a North Carolina nonprofit corporation established by Kenan-Flagler Business School Foundation, Inc. (Business Foundation). In addition to the General Partner, profits are distributed to the Limited Partners. Any funds to the General Partner in excess of expenses are transferred to the Business Foundation.

**Assessment:** These funds provide MBA and BSBA students with hands-on experience operating a private investment fund. The existing funds have been met with tremendous success. KFBSF Private Equity Funds I and II are both fully invested, and KFBSF Private Equity Fund III is currently investing with approximately \$600,000 of capital remaining to invest. If additional students are to participate in this educational program in the future, additional funds will need to be raised and an additional private equity fund established (“KFBSF Private Equity Fund IV”).

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

## **Approval of Establishment of a For-Profit Associated Entity – UNC-Chapel Hill**

### **ISSUE OVERVIEW**

In September 2006, the Board of Governors approved a request from the Kenan-Flagler School of Business of the UNC-Chapel Hill to establish three associated entities: (1) KFBSF Private Equity Fund I, L.P.; (2) KFBSF Real Estate Fund I, L.P. as for-profit investment funds; and (3) KFBSF, Inc., a North Carolina not-for-profit corporation of which the Kenan-Flagler Business School Foundation, Inc. (Business Foundation) is the sole member and serves as General Partner for the funds. The Board of Governors approved similar requests to establish Private Equity Fund II, L.P. (in 2010), Real Estate Fund II, L.P. (in 2011), Real Estate Fund III, L.P. (in 2014), KFBSF Private Equity Fund III, L.P. (in 2014), and KFBSF Real Estate IV, L.P. (in 2017) without tax-exempt status. These student investment funds are all part of the Business School's educational program, and each fund is about \$2.5 million to \$3.6 million in size.

The limited partner investors are by invitation only, generally have a relationship with the school, and must meet certain eligibility requirements. In addition to the general partner, profits are distributed to the limited partners. There are 29 limited partners in Private Equity Fund I, 38 limited partners in Real Estate Fund II, and 25 limited partners in Real Estate Fund III. Any funds to the General Partner in excess of expenses are transferred to the Business Foundation.

The General Partner is organized and operated to support the Business School and its educational programs. It is managed under the direction of its board of directors, which consists of six directors, four of whom are employees of the university assigned to the Business School and two of whom are elected by the Board of Directors of the Kenan-Flagler Business School Foundation. The General Partner is also an "associated entity" under Board of Governors' rules and has adopted conflict of interest, document retention, and whistleblower policies in accordance with the rules and on behalf of these investment funds.

Kenan-Flagler and UNC-Chapel Hill now request authority to establish an eighth student investment fund – KFBSF Private Equity Fund IV, L.P. – because KFBSF Private Equity Fund III, L.P. is almost fully invested. If future students are to participate in this educational program, additional funds will need to be raised and an additional real estate fund established. Section 600.2.5[R] (specifically Section C.2.) of the UNC Policy Manual requires that associated entities have nonprofit corporate and tax-exempt status unless the Board of Governors approves otherwise.

The primary objective of these limited partnership funds is to give selected students hands-on experience in operating private investment funds. To our knowledge, the KFBSF Private Equity Funds are the only student-managed private equity funds in the U.S. These students work with faculty and friends of Kenan-Flagler to identify and evaluate investment opportunities and to make investment recommendations to the General Partner. Students participate, without pay, as part of an investment management course for academic credit. After an investment is made by the partnerships, the students monitor the investment. Through the identification, evaluation, and monitoring process, students gain insights into the operation and management of private investment funds and their portfolio companies, as well as establish personal and professional relationships with investment managers. A secondary objective is to provide investment returns to the partners who are the investors.

It is recommended that the Board of Governors approve the establishment of KFBSF Private Equity Fund IV, L.P. as a UNC-Chapel Hill associated entity and an educational program at the Kenan-Flagler School of Business without obtaining nonprofit tax-exempt status.

## AGENDA ITEM

A-13. Discussion of 2018-19 Plan of Work..... Temple Sloan and Clinton Carter

<b>Situation:</b>	The Committee on Budget and Finance will discuss the 2018-19 plan of work.
<b>Background:</b>	During the 2017-18 fiscal year, the committee was involved in a number of issues, including budget and policy priorities, tuition and fees, budget allocations (including enrollment), property transactions, capital improvement projects, institutional borrowing, and other financial matters.
<b>Assessment:</b>	The committee will discuss potential topics for consideration over the course of the 2018-19 fiscal year.
<b>Action:</b>	This item is for discussion only.



# DISCUSSION OF 2018-19 PLAN OF WORK

*Board of Governors  
Committee on Budget and Finance  
October 9, 2018*

## *2018-19 Plan of Work*

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### ■ Enrollment Allocations

- Will be presented at the November 2018 meeting.
- Based on actual enrollment following the fall semester census.
- Spring semester funding will be based on a three-year average fall-to-spring retention of fundable credit hours.



## ***2018-19 Plan of Work***

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### **■ 2019-21 Budget Priorities**

- Discussion of draft budget priorities will take place in November.
- Prior to November Board meeting, basis for requesting 2019-21 enrollment funding will need to be determined.
- Final budget priorities will be presented in December for Board approval in order for the UNC System priorities to be incorporated into the Governor's budget.

## ***2018-19 Plan of Work***

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### **■ Tuition and Fees**

- Instructions were sent to the institutions on September 19; submissions are due to the System Office in early December.
- Board guidance for 2019-20: no tuition increases for resident undergraduates, nonresident undergraduate and graduate students are market-based, three percent cap on increases to mandatory fees, and no new special fees or increases to special fees allowed.



## ***2018-19 Plan of Work***

### **■ Comprehensive Reform of University Funding**


- Discussion of the consolidation of tuition and fees—requires a statutory change to remove tuition out of the General Fund—possible budget priority for the short session.
- Recommendations of the Funding Model Task Force:
  - ◆ Shift from funding projected credit hours to funding actual credit hours completed in prior years;
  - ◆ Tie some portion of state funding to measures of performance; and
  - ◆ Apply formula to incremental enrollment growth, not base funding.

## ***2018-19 Plan of Work***

### **■ Other Business**

- Repair and Renovations Workgroup
- BOT Survey Responses
- Capital Projects and Financing
- Property Transactions
- Debt Capacity Study
- F&A Report
- UNC System Consolidated Financial Report
- Need-Based Aid from Tuition and Tuition Bill Statements

# DISCUSSION

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