Public Private Ventures

Update

August 8, 2006

“Creating a More Educated Georgia”
Public Private Ventures Program

The USG enters into agreements with private interest to provide facilities for its use.

- The USG executes ground leases to construct facilities on university property.

- The USG also enters into rental agreements for the use of completed facilities, both on and off campus.

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Public Private Ventures Program

- The program is used primarily for projects that are self-supporting (housing rents, user fees, research funds, and redirection of rental payments).

- **Private Interest**
  - Developers
  - University Foundations
  - Non-profit organizations
  - Limited Liability Corporations (LLC)

- **Project Financing**
  - Bonds (tax-exempt & taxable)
  - Credit Enhancement (bond insurance & letter of credit)

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# New System to Approve Projects

## Proposed USG Capital Program Annual Funding Model

<table>
<thead>
<tr>
<th>Method</th>
<th>Target</th>
<th>2006</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>State GO Bonds (sinking fund)</td>
<td>$ 270 M</td>
<td>$ 275 M</td>
<td>$ 250 M (w/o MRR)</td>
</tr>
<tr>
<td>PPV (local development authority finances)*</td>
<td>$ 150 M</td>
<td>$ 380 M</td>
<td>$ 230 M (w/o sp.projects.)</td>
</tr>
<tr>
<td>GHEFA Revenue Bonds (state finances)</td>
<td>$ 130 M</td>
<td></td>
<td>$ 50 M</td>
</tr>
<tr>
<td>Other (cash)</td>
<td>$ 100 M</td>
<td>$ 70 M</td>
<td>$ 120 M (w/ MRR)</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td>$ 650 M</td>
<td>$ 725 M</td>
<td>$650 M</td>
</tr>
</tbody>
</table>

*PPV is also a funding method for Special Projects not in $650 B/Ten Year space projections.*
Update

- 71 privatized projects

- A variety of facility types including:
  - Housing 20,038 beds
  - Parking 11,209 spaces
  - Student Support 747,030 sq. ft.
  - Research 1,137,710 sq. ft.
  - Instructional 1,008,275 sq. ft.
  - Office 290,610 sq. ft.

- Total to date...well over $1.78 Billion

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Public Private Ventures History and Future

Par Amount

$3,000,000,000
$2,500,000,000
$2,000,000,000
$1,500,000,000
$1,000,000,000
$500,000,000
$-


$1.78 Billion

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2005/06 Ventures Projects
Funded Projects ($480 million)

- Albany State University – Student Housing
- Armstrong Atlantic State University – Armstrong Center
- Armstrong Atlantic State University – Recreation Center
- Armstrong Atlantic State University – Student Housing
- Augusta State University – Student Center
- Columbus State University – Parking Deck
- Fort Valley State University – Student Housing
- Georgia Perimeter College – Newton Campus
- Georgia Southern University – Recreation Center
- Georgia Southwestern State University – Student Housing
- Georgia State University – Piedmont Ellis Student Housing
- Georgia Tech – Electric Substation
- Kennesaw State University – Towne Point
- Middle Georgia College – Student Housing
- University of West Georgia – Campus Center

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Business Plan - Uses of Funding

System Office Staff
- Year 1 - Hired an Executive Director & Real Estate Research Analyst
- Year 2 - Hire two Program Managers

Engaged Special Assistant Attorney General (SAAG) & Specialty Reviews
- Environmental Attorney-GSU Piedmont/Ellis Student Housing
- SAAG Attorney-GSU Science Research Park

Revolving Fund
- Environmental Assessments, Surveys and/or Appraisals
- Programming and/or Design

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Business Plan - Uses of Funding

Outsourcing

- Comprehensive Housing Plans, Market, and Feasibility Studies
  - ABAC Student Housing
  - Fort Valley State University Student Housing
- Create Standards and/or Guidelines for various project types (Residential facilities, parking decks, others)
  - Develop quality standards for student housing
  - Develop Schedule Guidelines for projects

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Annual Services

Staff will support a proactive approach and annual system-wide report

- Review & report on ongoing financial viability of projects
  - Working with Internal Auditor to incorporate into annual audit
  - New Program Manager will assist in this efforts
- Operation Review
  - Began annual review of housing operating budgets
- Facility assessment...condition analysis
  - Began assessment on oldest projects
- Review revenue, expenditures and performance of the USG Privatization Program

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Explore System Wide Savings Opportunities

- Pool Insurance
  - Exploring establishing pool insurance program for USG projects
  - Reevaluating our insurance requirements and coverage's

- Financing Trust Structure
  - Explore potential with GHEFA

- Common Bond Reserve Fund
  - Obtained Bond Insurers approval to use Surety Bonds instead of Debt Service Reserve Fund
  - Implement Common Bond Reserve Fund for GPC Student Support Facilities

- Pool Capitalized Interest Fund
  - Implement with GPC Student Support Facilities

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Expand Financing Options

- State Sponsored Financing Vehicle to bundle projects
  - Georgia Higher Education Facilities Authority

- Explore the Role of the Affiliated Foundations
  - Board Approved Kennesaw Foundation change of ownership to 6 Limited Liability Corporations
  - Board Approved Armstrong Atlantic Foundation changed of ownership to Limited Liability Corporation
  - Lowered financing and issuance cost (10% to 30%)

- Examine potential policies for adoption by Board of Regents that can enhance financing options
  - Board approved rental agreement for AASU projects
  - Encourage the use of rental agreements for projects not under agreements (refinance, purchase, and changes to LLC’s)

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Build Relationships with the Finance Community

- Enhance relationships with rating agencies
  - Obtained AAA Bond Rating for 14 projects
  - Secured Underlying A3 rating or better for all projects
  - Worked directly with rating agencies on site visits, due diligence, financial, and annual reviews

- Encourage the participation of more Bond Insurers
  - Secured $450 million commitment with CIFG (5 projects funded to date)
  - Secured commitment with AMBAC Bond Insurer (1 project funded to date)
  - Increased competition with 4 active Bond Insurers bidding on projects (reduction in bond insurance cost as much as 50%)

- Expand participation of major Bond Buyers
  - Major Bond Buyers have actively participated in buying bonds for USG projects
  - Bond Issues have been over subscribed

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Policy Considerations and Other Recommendations

- Comprehensive Housing Plan – require annual updates that focus on financial performance, budgets, operations, marketing, & address future housing demand

- Housing Council – create a housing council which has representatives from every campus to engage in developing a system to enhance the financial performance, operations, marketing, and impact student housing plays on campus

- Limited Liability Corporations – require execution of cooperative agreements

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2006/07 Ventures Projects

*Staff is actively involved in the planning, deal structure, due diligence review, and closing of privatized projects*

Projects in Progress:

- Abraham Baldwin Agricultural College – Student Housing
- Clayton State University – Student Housing & Recreation Center
- Georgia Gwinnett College – Parking Deck
- Georgia Perimeter College – Student Support Facilities & Parking Decks
- Georgia Southern University – Student Housing
- Gordon College – Student Housing
- North Georgia College & State University – Recreation Center & Parking Deck
- Savannah State University – Student Housing
- South Georgia College – Student Housing
- University of Georgia – Student Housing
- University of Georgia – Tate Student Center & Parking Deck
- Valdosta State University – Student Union & Parking Deck

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