



Public Private Ventures

Update

August 8, 2006

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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

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

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



Update

- 71 privatized projects

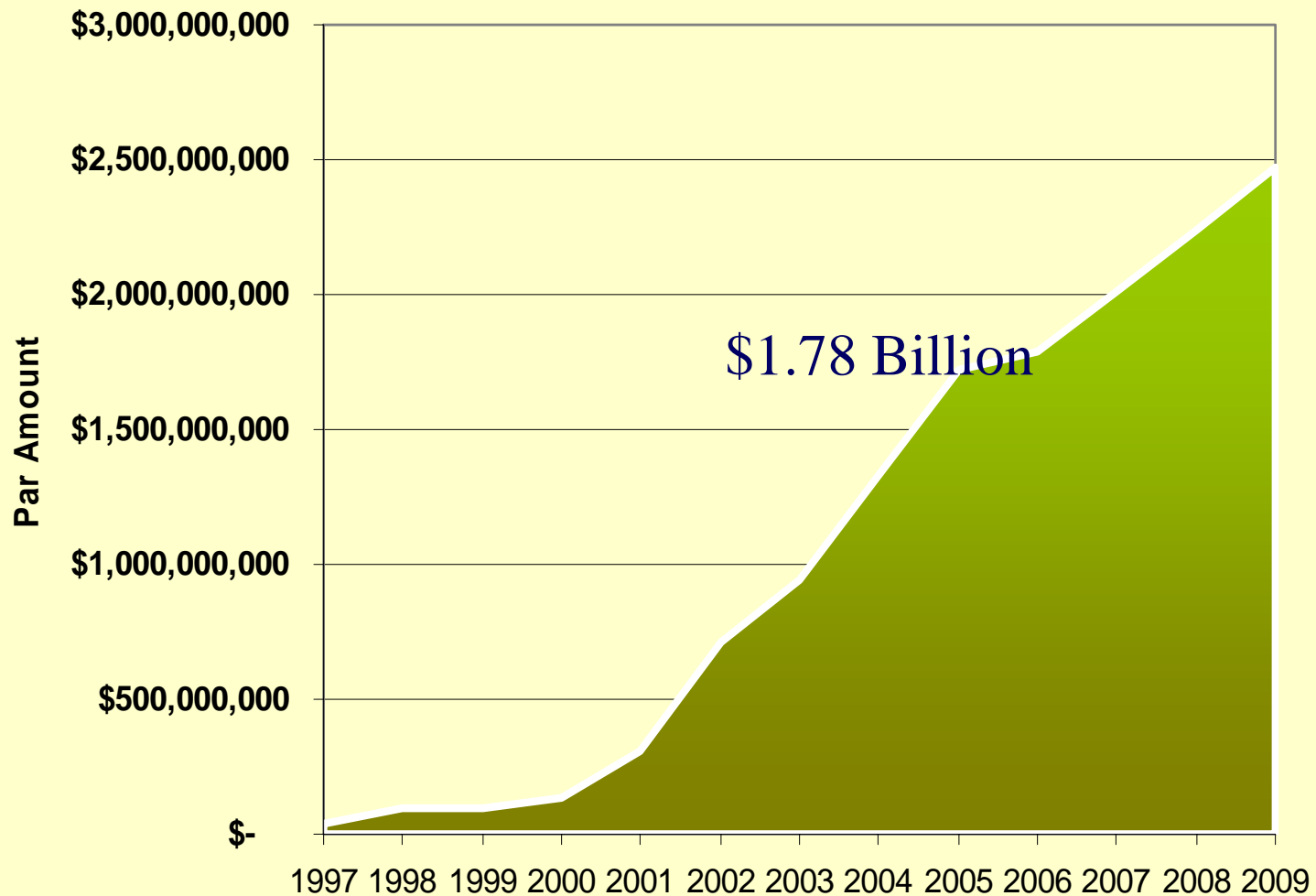
- A variety of facility types including:
 - ◆ Housing 20,038 beds
 - ◆ Parking 11,209 spaces
 - ◆ Student Support 747,030 sq. ft.
 - ◆ Research 1,137,710 sq. ft.
 - ◆ Instructional 1,008,275 sq. ft.
 - ◆ Office 290,610 sq. ft.

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

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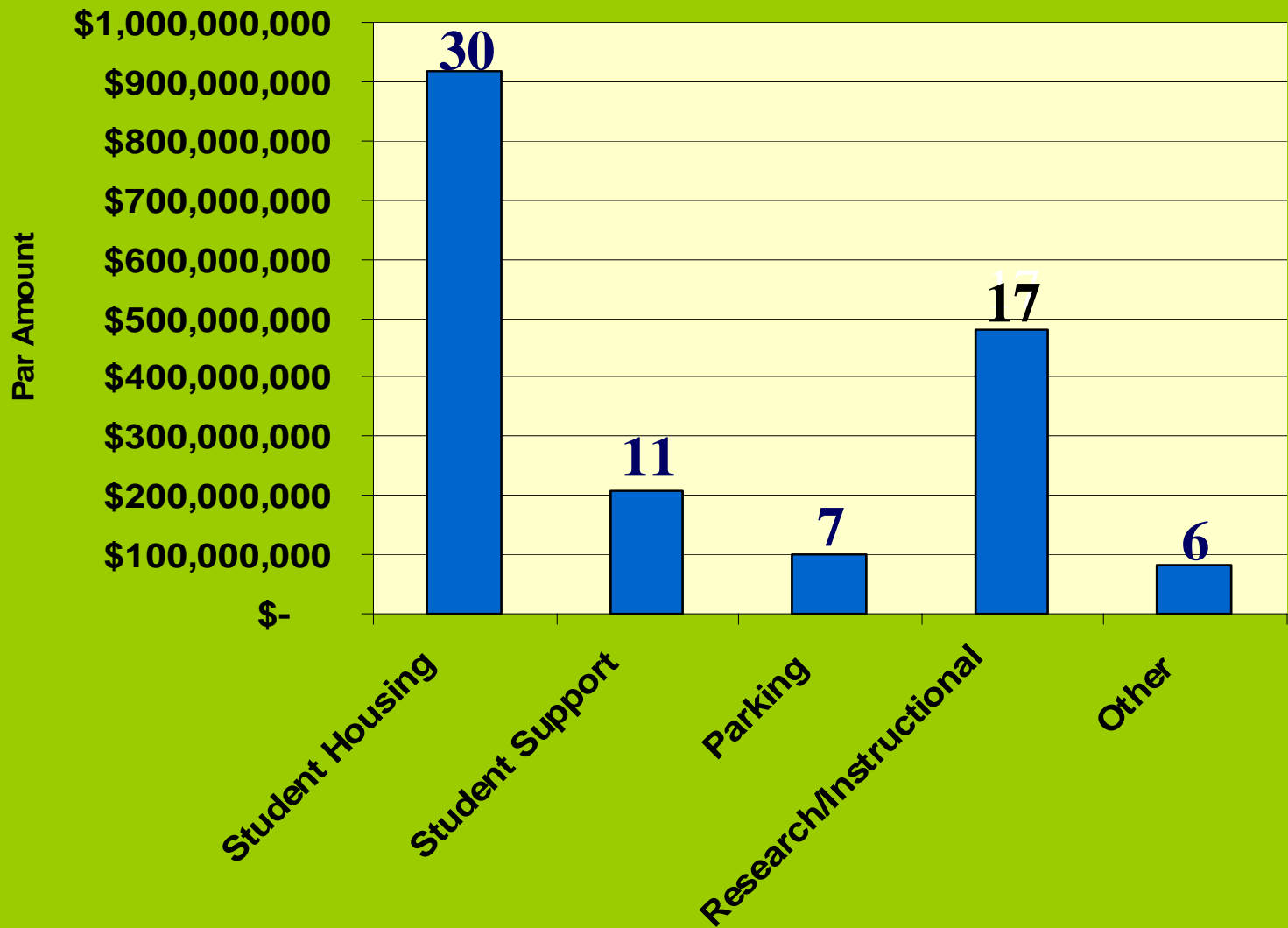
Public Private Ventures History and Future



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Public Private Ventures Facilities Type



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2005/06 Ventures Projects

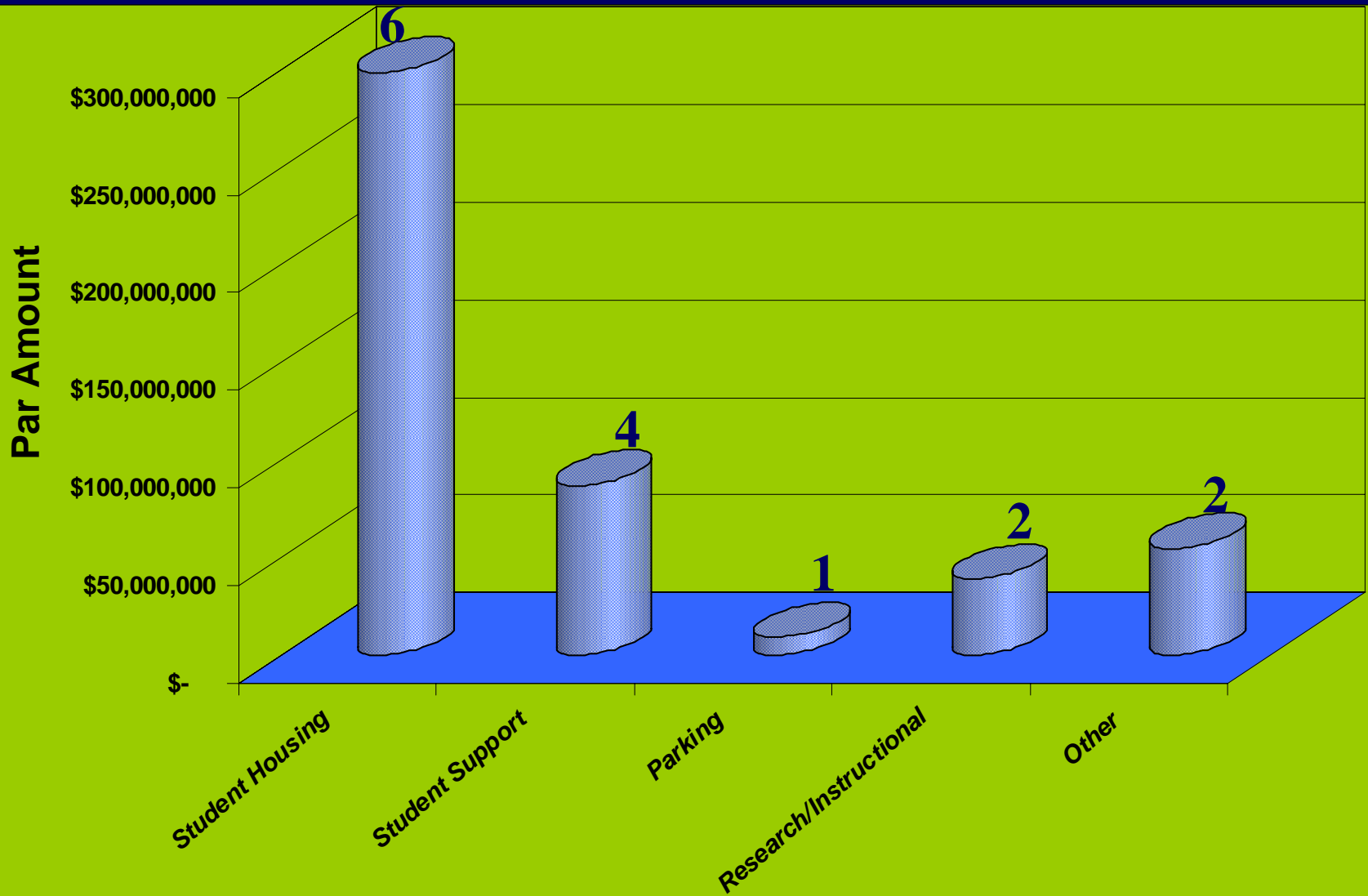
Funded Projects (\$480 million)

- ◆ 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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Public Private Ventures 2005/06



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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



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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