



**Board of Regents
University System of Georgia**

**Student Affairs Officers
March 20, 2014**

Policy Implementation

Capital Liability Management Reserve

- \$22 Million on deposit, 8% of the Highest Annual Rent Requirements
- 28 campuses paid in full; 3 campuses on payment plan

Refinancing

- 11 PPV projects refinanced
- \$61.2 million in savings; \$3.3 million annually
- \$46.7 million in savings to university rental payments

Housing Policies and Occupancy

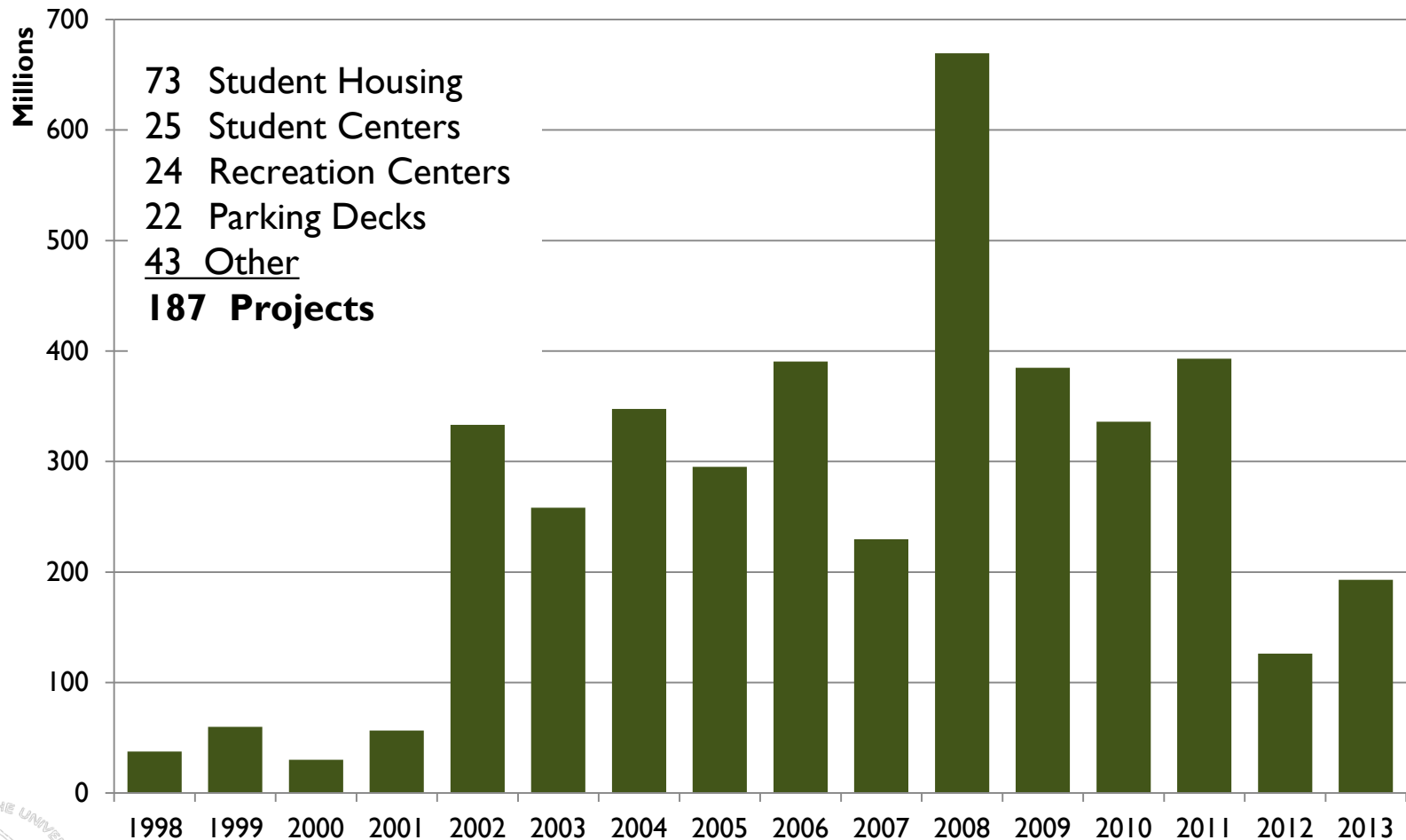
- 19 institutions have freshmen residency requirements representing 22,533 students
- 92% occupancy rate for PPV portfolio

# of Institutions	PPV Housing Occupancy
16	95% +
5	90% - 95%
3	75% - 89%
3	< 70%

Limited Appetite for Additional PPVs

\$3.6 Billion Outstanding

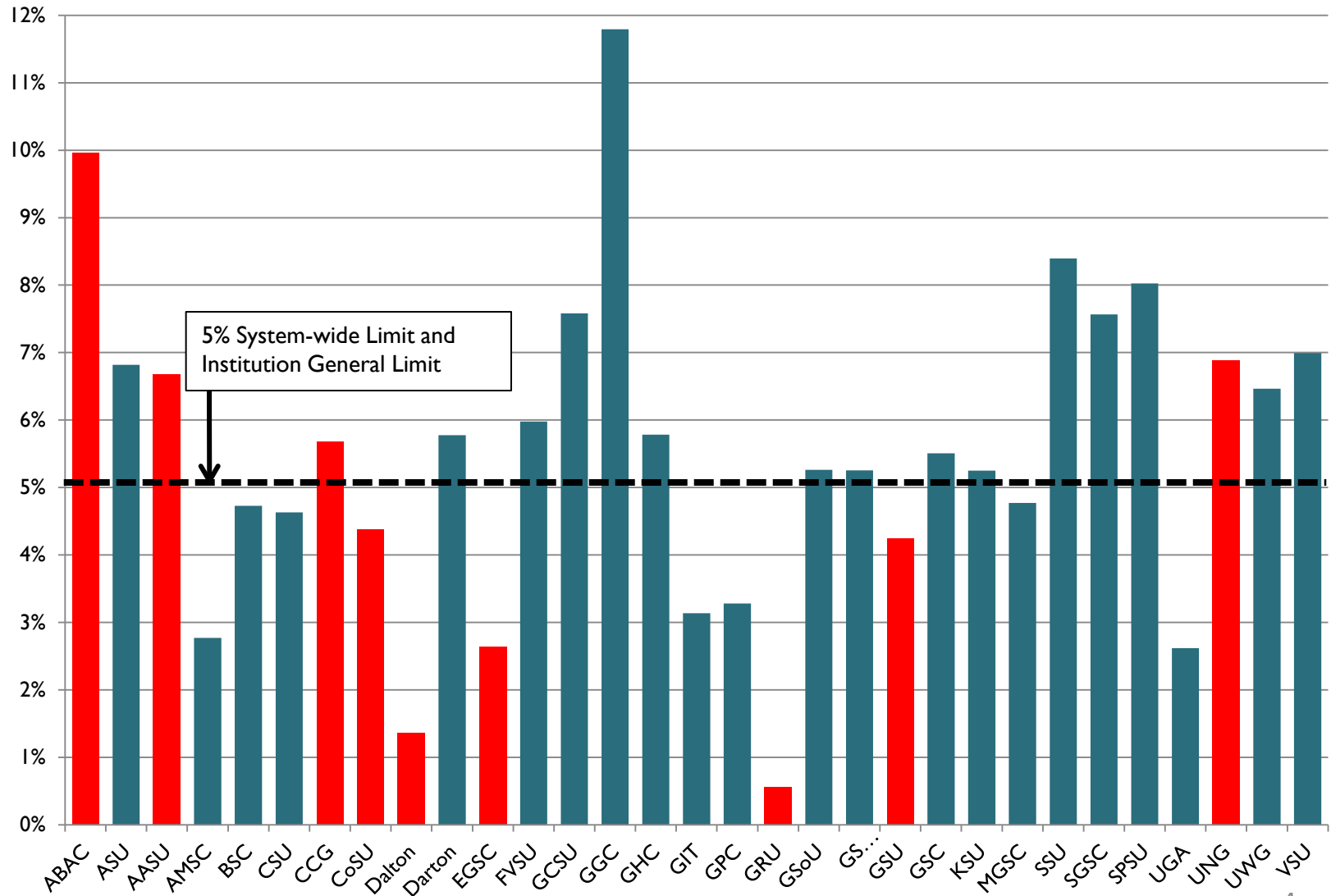
FY14 PPV Lease Payments = \$265 Million



Capital Liability Ratios

June 30, 2013

USG: 3.7%



P3 Program Impact on Financial Ratio

- Transaction would defease/retire \$325 million of outstanding PPV debt, a reduction of 9%
- Annual payments would be reduced by \$23 million or 8%
- Debt ratios would drop from 3.89% to 3.57% in FY 2016

P³ Housing Initiative

Guiding Principle

Ensure on-campus housing is affordable, safe, and meets high quality standards

Objectives

- Provide additional housing for USG students while reducing BOR capital lease obligations;
- Reduce the amount of BOR capital lease obligations associated with the portfolio of existing housing assets;
- Leverage private sector efficiencies in the design, construction, operations and maintenance of student housing; and
- Develop a long-term relationship with a private housing provider (Concessionaire) to attract students to live on-campus and enhance their college experience.

Transaction Highlights: Phase I



- One investor/developer to acquire the existing assets along with long term rights to develop new housing.
- Outstanding tax-exempt bonds paid off.
- Concessionaire to have leasehold interest in existing and new housing; BOR would retain title.
- No rental agreements, occupancy guarantees or fill-up agreements.

Phase I Participants

<u>Institutions</u>	Existing Beds for sale	Potential New Beds	Possible Beds in Transaction
College of Coastal Georgia	352	200	552
Columbus State University	444	500	944
Dalton State College	0*	300	300
East Georgia State College	200	200	400
Georgia Regents University	508	650	1,158
Armstrong Atlantic State University	1,239	0	1,239
Abraham Baldwin Agricultural College	1,324	0	1,324
Georgia State University	2,322	700	3,022
<u>University of North Georgia</u>	<u>314</u>	<u>400</u>	<u>714</u>
Total	6,703	2,950	9,653

Dalton State's existing student housing is not for sale. Existing beds are to be replaced with new housing. Furthermore, 220 existing beds at Georgia Regents University will be demolished and replaced by new student housing.

Transaction Guiding Principles

Housing Operations

Housing and resident life services and activities for students should be comparable to current services and be simple and seamless

Facilities

P3 facilities should be safe and secure, compatible with the current campus, maintained at or above current standards, and placed on appropriate sites identified by the campus and BOR.

Lease Terms

Transaction should maximize private sector efficiencies in housing development, construction and management, and transfer enrollment and market risk to the investor, while ensuring safe, affordable, quality housing for students.

Key Business Terms (to be negotiated)

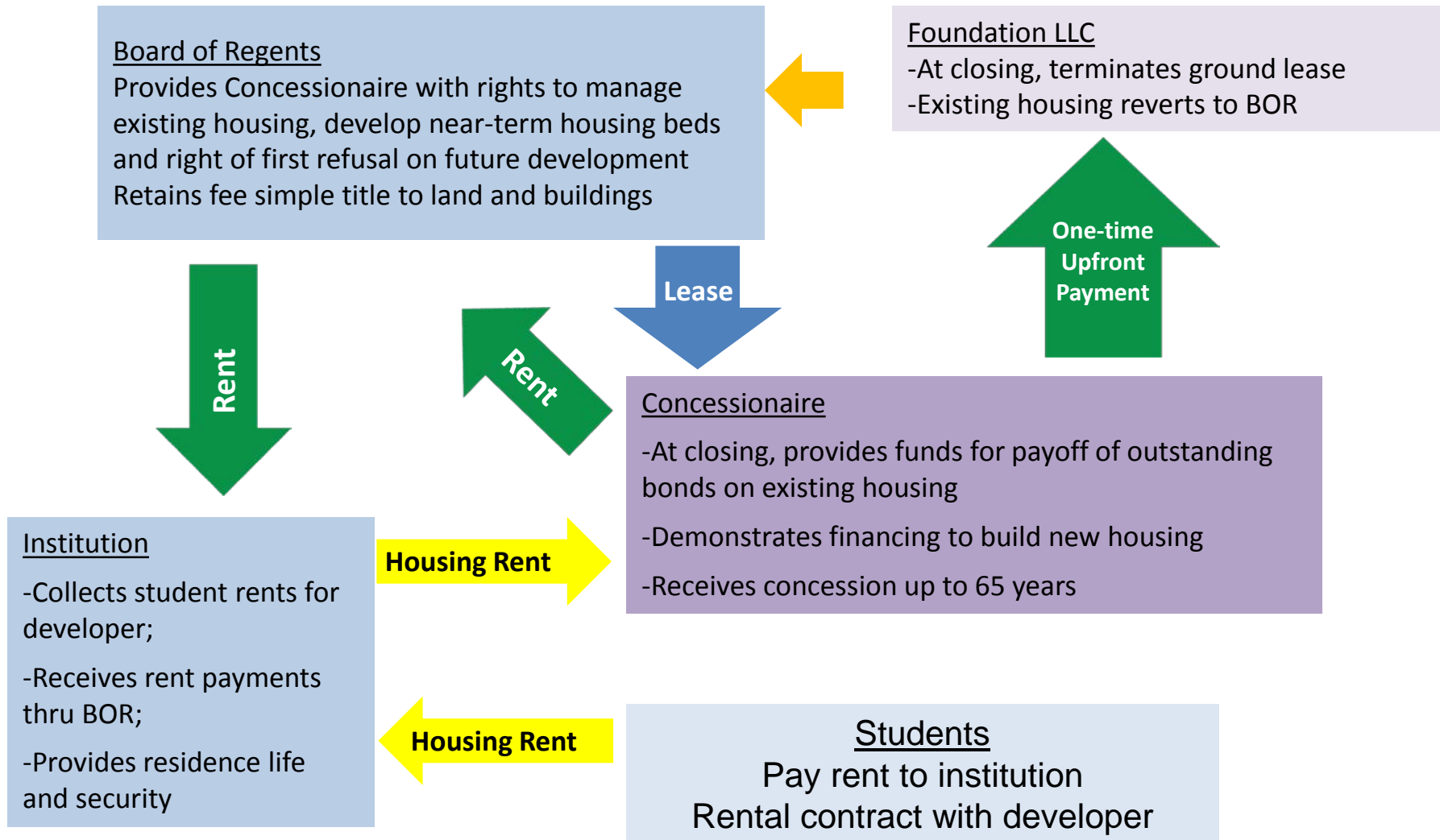
Risks transferred to Developer

- Enrollment
- Housing occupancy
- Residency requirements
- Campus consolidation or closure
- Condition of existing housing
- Construction Risk
- Lease-up risk (new housing)
- Day-to-day maintenance and repair costs
- Long-term lifecycle costs of building and fixtures

Key Lease Terms

- Occupancy limited to BOR students and faculty
- Rent caps and shared decision-making on annual rental rates within those caps
- BOR continues to provide resident life, tutoring, security and rent collection services – Institution is compensated for these services by the Concessionaire
- Developer responsible for maintenance and renewal, utilities, and insurance
- BOR Institution will market as on-campus housing
- BOR has final approval on site and design of new housing
- BOR will not guarantee minimum occupancy levels
- Termination for cause (Material default due to non-performance, bankruptcy, etc.)

Transaction Structure



Components of Rent

1

Base Rent:

Pre-paid up-front - an amount equal to or exceeding the amount necessary to defease or retire the outstanding debt on the existing properties.

Periodic base rent - the annual rent for the dirt, the model assumes an escalation of 3% per year.

2

Additional Rent:

The amount paid by the developer for “pass-thru costs” or operating expenses that will be incurred by the campus for the services we elect to retain (resident life, rent collection, security) or the services the developer elects to contract with a campus (perhaps maintenance), escalates 3% a year

3

Contingent Rent:

The revenue sharing component of rent, contingent upon profits exceeding the developer’s pre-determined margin.

Key Governance / Student Affairs Issues (to be negotiated)

- Relationship Management – investor / Board of Regents / institutions
- Budgeting
- Development of housing for occupancy in 2016
- Operating and maintenance protocols
- Housing and Residence Life

Procurement Timeline

1. Request for Qualifications **April 2014**
2. Pre-qualify Bidders **July 2014**
3. Release Draft Concession Agreement and Request for Proposals to Bidders **July 2014**
4. Campus tours and bidder due diligence **July-Sept 2014**
5. Engage in one-on-one negotiations regarding documents, structure, business terms, etc. **September 2014**
6. Release Final Concession Agreement and RFP **October 2014**
7. Select Concessionaire **November 2014**

Questions