

Background

Long Term Student Housing Committee (2010)

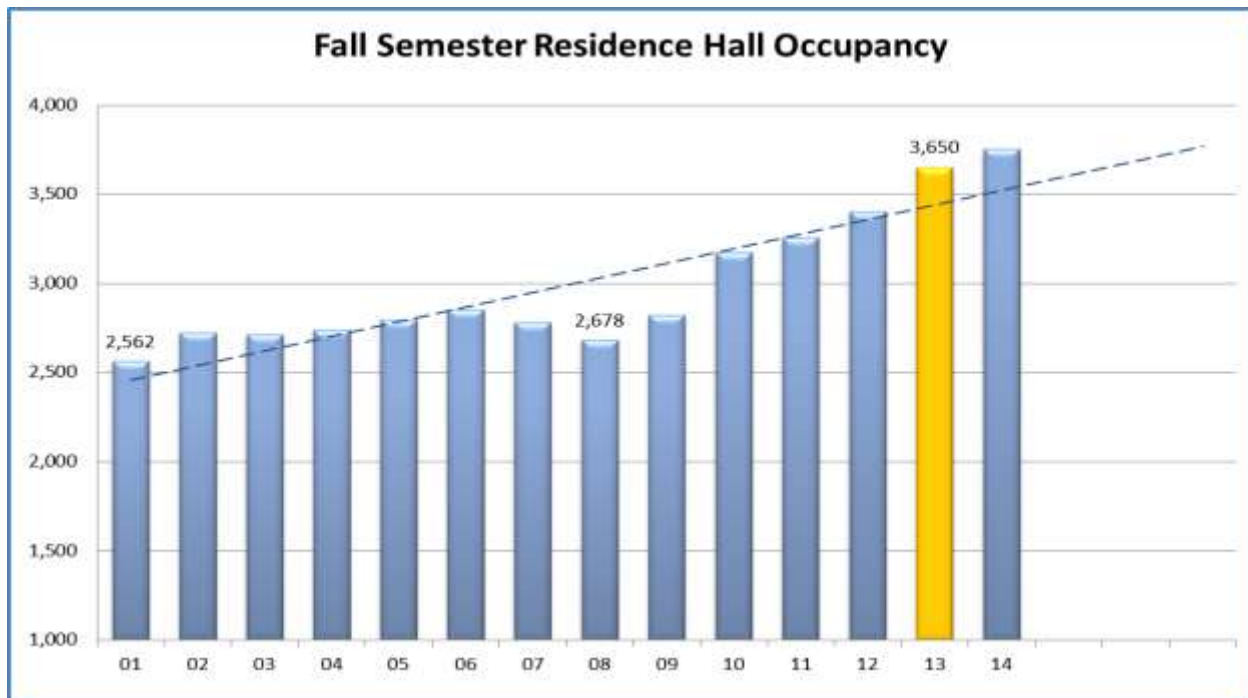
- Charge: Formulate long term business plan for the MSU Housing Enterprise
- Assimilate student housing demands/trends into MSU's projected enrollment to assure adequate levels of housing are available to students
- Committee Recommendations and Outcomes:
 - Freshman live-on requirement should be maintained, as it contributes to the success and retention of our students.
 - Students now demand more single occupancy and/or suite-style living options
 - Additional housing capacity is needed, as well as upgrades to restrooms, lobbies and public spaces. In 2010 the Board authorized \$15 million for new housing and upgrades to existing housing. These projects were completed from 2011 – 2013.
 - Energy conservation measures including new windows and lighting systems were completed. Ongoing Board approved projects are being accomplished through both Energy Performance Contracts and in-house expertise.
 - For Fall 2013, an additional 93 beds will be available as a result of a 72 bed suite-style residence hall and restoring space for 21 beds in the historic Quad F residence hall.
 - The committee recommended exploring the viability of a Public- Private Partnership (P3) arrangement for the next housing complex

Analysis of P3 Alternative

- Independent consulting firm reviewed MSU's housing system to determine whether a P3 would be the best method for MSU's next housing facility
- Recommendation: The next project should be completed in-house based on
 - The University's needs (freshmen housing)
 - Desired location (core of campus)
 - Debt capacity (MSU has good capacity)
 - Timeline (no previous P3s in Montana, so shorter timeline is unlikely)
 - In-house expertise (MSU has advanced expertise)

Establishing the Need

Enrollment Growth and Residence Hall Occupancy



MSU's Bozeman campus enrollment

- Increased from 12,170 in Fall 2007 to 15,150 (est.) in Fall 2013 (24.5%)

Occupancy “flex” in the housing system has been nearly exhausted

- 272 rooms were converted from single- to double-occupancy, leaving only 28 doubles-as-singles in the housing inventory
- 218 freshmen have been placed in 62 Family & Graduate Housing units
- 192 students have been placed either in visitor apartments or lounge areas converted to student living spaces
- 93 new beds are available for fall 2013 as a result of a new 72 bed suite-style residence hall, and restoration of 21 bed spaces in the historic Quad F Hall

Student Demand and Recruiting competitiveness

- Many students who attend MSU would prefer a single occupancy living option (at a higher rate), but we currently are unable to meet that demand.
- Even with recent enhancements to residence halls, MSU's room inventory is still less contemporary than most of its peers. Some students are selecting other universities due to the age, style and/or condition of MSU's housing options.

Solution Under Consideration

New Residence Hall for approximately 400 Students (mostly Freshmen) (~\$35M)

- Move freshmen out of Family & Graduate Housing (FGH) units, back into traditional residence halls
- Make these apartments available for families and graduate students, as they were originally intended. A waiting list currently exists for FGH units.
- Provide single occupancy living options to meet student demand and assist with student recruiting.
- Recapture lounge space for its intended purpose (common areas are in high demand by students).
- Provide flexibility to move students with roommate conflicts and/or special needs.
- Project completion is expected in the summer of 2016.

Timeline

Dining Hall Renovations Under Consideration (~\$18M)

- Dining operations serve 6500 meals each weekday
- Residence hall occupants not only dine, but also “loungue” in the dining hall, because there is not room for them in the Student Union due high enrollment



Outdated Layout in Existing Dining Hall Serving Area

- New design will increase seating capacity and add several stand-alone food options, rather than one long line, replacing the institutional food services feel with a more contemporary style
 - External entrances
 - Eliminate the need for diners to access food services through residence halls, improving security for occupants of adjoined halls
 - Improve ADA accessibility through new entrances at ground level
- Updated equipment and infrastructure
 - Much equipment is original 1950s and 1960s
 - Replace outdated and inefficient equipment to today’s standards and convert from steam lines to natural gas in many instances
 - Upgrade plumbing, electrical and mechanical systems throughout

Information Item: Student Housing Addition, Dining Enhancements and Financing Plan

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Plan of Finance Under Consideration (All figures are estimates)

- Borrow up to \$70 million through bond issuance
 - \$35M Residence Hall: 30 – 35 year fixed rate debt
 - \$18M Dining Renovations: fixed rate debt
 - \$5M Residence Hall energy improvements and long term maintenance: fixed rate debt
 - Complete commitments on phase II of existing Energy Performance Contracts (\$2M)
 - Long term maintenance, including in-house energy improvements (\$3M)
 - \$10M Jabs Hall Bridge Financing: 5-year variable rate debt
 - Previously discussed “leveraging” of gift is currently not being pursued due to increase in interest rates

- Debt Capacity
 - MSU’s current debt has a short horizon, and debt service decreases significantly in 2023
 - Housing and Dining operations net revenues, along with revenues from new space, will generate sufficient income to repay the additional debt
 - Key financial ratios will remain in range for Aa3 (Moody’s) rated institutions
 - Renewal of the existing Series J debt at a lower interest cost is also being pursued