

November 16-17, 2017

**ITEM 177-2005-R1117**

**Request for authorization to construct a residence hall and proceed with the issuance of facilities revenue bonds, Montana State University**

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**THAT**

Consistent with the provisions of MCA-18-2-102(2)(b) and MCA 20-25-302(6), the Board of Regents of the Montana University System authorizes Montana State University to construct a new residence hall at a cost not to exceed \$50 million; and

Consistent with MCA-20-25-402, the Board of Regents of the Montana University System authorizes the adoption of a Resolution to issue Series E 2018 Facilities Improvement Revenue Bonds for Montana State University and authorizes Montana State University and the Commissioner of Higher Education to proceed with the issuance of these bonds in an amount up to \$58 million par value.

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**EXPLANATION**

1. Montana State University continues to experience growth in occupancy in the Residence Life program as noted in the matrix below:

Fall	Occupancy	Increase	University Headcount	% Students in Res Life
2012	3,402	147	14,660	23.21%
2013	3,536	134	15,294	23.12%
2014	3,691	155	15,428	23.92%
2015	3,735	44	15,688	23.81%
2016	4,200	465	16,440	25.56%
2017	4,187	(13)	16,703	25.07%

2. Yellowstone Hall opened in the fall of 2016 with over 400 beds, and was over-subscribed upon opening. The Residence Life system, as a whole, is operating above capacity. Additional student housing is needed to accommodate current demand and free up spaces designed for student study areas, etc. Actions taken to accommodate current demand for student housing include:
  - a. 167 students have been placed in either visitor apartments or lounge areas converted to student living spaces;
  - b. 298 freshmen have been placed in Family & Graduate Housing units; and
  - c. As of Fall 2017, only 83 remaining doubles-as-singles exist in the housing inventory, compared with a desired level of approximately 230. Of these 83, 80 have been allocated to upperclassmen due to difficulty of finding housing in the Bozeman market and there is not sufficient space to accommodate any such requests from freshmen.
3. The Office of the Commissioner for Higher Education authorized up to \$350,000 on August 25, 2016 for MSU to perform a feasibility study and programming effort for expansion of its residence hall facilities at MSU Bozeman. A consultant selection process has been completed

with the State of Montana Architect & Engineering Division and MSU. The study and planning efforts began in mid-February 2017.

4. In September 2017, Board of Regents Item 176-2008-R0917 authorized Montana State University to proceed with programming and design of a new residence hall as well as engage a General Contractor to aid in cost estimating and construction technique considerations. MSU continues to proceed with programming and design, including evaluating potential site considerations for a new facility, building massing options, types of construction methodologies, room types to attain the required density, associated cost considerations, and project delivery timelines.
5. This item authorizes Montana State University to construct new housing facilities and to obtain the related financing necessary to:
  - a. provide up to \$50 million for construction of an approximate 480 bed housing facility at approximately 150,000 square feet;
  - b. pay costs related to the bond issuance, including attorneys', underwriters', and other professional fees;
  - c. provide for capitalized interest during the period of construction, if necessary;
  - d. provide for a debt service reserve fund, should it be deemed necessary; and
  - e. obtain the best interest rates possible, which may include selling bonds at a premium or a discount, which affects the par value of the bonds issued.
6. The financing terms are expected to be as follows:
  - a. All-in interest cost of approximately 4.5%;
  - b. Fixed rate increments maturing from 1-30 years; and
  - c. The attached Plan of Finance demonstrates annual costs and the ability to service this additional debt.
7. Bond underwriting and financial advisory fees were determined through a competitive bid process.
8. Due to the strength of the University's credit rating, MSU does not expect to attach bond insurance to this transaction. Current markets indicate that the potential reduced interest rate gained from bond insurance is minimal in comparison with the associated costs. Should market conditions fluctuate significantly, indicating benefit to be realized from issuing insured bonds that outweigh the related costs, the University would seek bond insurance at a cost estimated at \$150,000.
9. The Series E 2018 Facilities Improvement Revenue Bonds will be issued under the existing Montana State University Indenture of Trust. Principal and interest payments will be made from Auxiliary Services revenue streams, as shown in the attached Plan of Finance. Such revenue streams include current housing and dining income in addition to that derived from additional occupants.
10. This item, and adoption of the attached resolution by the Board, authorizes the Chair of the Board of Regents, the Commissioner of Higher Education, the President of Montana State University, and the Vice President for Administration and Finance of Montana State University to execute such documents as may be required to consummate the issuance of the Series E 2018

Facilities Improvement Revenue Bonds. This authorization to proceed with the issuance of the Series E 2018 Facilities Improvement Revenue Bonds is subject to final approval by the University and the Commissioner of Higher Education, who will determine whether and when to execute this transaction based on the prevailing interest rates.

**ATTACHMENTS**

Attachment #1 – Physical Plant Policy 1003.7

Attachment #2 – Plan of Finance

Attachment #3 – Series E 2018 Facility Improvement Revenue Bond Resolution