

ITEM 127-1002-S0505

**U of M South Campus Residential Development
Executive Summary
April 18,2005**

Given the reality of declining financial support from traditional sources, the University of Montana's leadership has been exploring entrepreneurial approaches to securing its long-term financial base.

With this objective in mind, the University approached developer, builder and UM alum Walt Brett with a partnership proposal in the fall of 2003. The University asked Mr. Brett to evaluate 20 acres of the University's South Campus site for a University Linked Residential Community (ULRC) – an emerging concept that has been developed at approximately 50 universities around the country and is in planning and development at approximately 40 other universities.

While the form and program for each development is different, the core concept of a ULRC is to create a living environment where alumni, faculty and staff – either active or retired – can live in a unique community environment where the passion and commitment to the institution forms a unique bond among residents. The Universities often realize significant human capital benefits such as great volunteerism in programs, student mentoring and counseling from accomplished individuals, and creation of a broad-based group of new ambassadors who passionately communicate the university's mission and needs to others. ULRC's create multiple opportunities to build a strong relationship with the Universities Foundation and the likelihood of expanding the Universities endowment and philanthropic gifts are a strong possibility.

Mr. Brett agreed to bear all costs associated with the project evaluation, due diligence, planning, marketing, construction and financing, which relieved the University of any project risk. The University agreed to lease the land for the project and to allow the Developer to construct the project. The University and the Developer have agreed, subject to Regent approval, to share the Net Revenue generated by the project on a 50-50 basis for a period of 60 years. Upon expiration of the development agreement, the University will retain 100% of the Net Revenue. Net Revenue shall be defined as the revenues remaining after deducting construction costs, sales and marketing costs, project management fees, and other customary expenses associated with the development of the project, as further defined in the Development Agreement to be prepared by the University and the Developer. The University will retain control of the land. The Developer will not use the land as collateral for any project funding.

Mr. Brett formed a partnership with Ed Rogerson, of OakLeaf Homes (UM Village Development LLC). Mr. Rogerson has built a successful career in the Midwest developing lifestyle and retirement communities. The Developer assembled a team of consultants representing the best of national and local expertise to evaluate the project's potential. The Developer will utilize local tradesman and suppliers for the construction project.

Planning efforts began with a market analysis conducted by Robert Charles Lesser Company. The study predicted a well-balanced potential for the project. The study registered concerns about the acceptance of a 90% refundable deposit model that was proposed and encouraged the utilization of a land lease approach, where the University retains ownership in the land and the partnership sells the constructed product to the end user one time. The study also suggested that the community be "**Age Targeted.**" It is NOT exclusive to University affiliates or restricted by age, but caters to active lifestyles. This is NOT an extended care facility.

In reviewing the potential development site, the Developer determined that the project's success was dependant upon a comprehensive site plan that optimizes long-term value and benefit of the real estate asset; and community involvement in the planning process.

The parties now have agreed to expand the scope of the project to include the entire 150-acre site and to utilize a land lease approach for the project. The Developer agreed to master Plan all of the undeveloped land.

A survey was conducted to measure interest for this ULRC. A total of 2,876 surveys were sent to current and retired UM faculty and staff, as well as approximately 2,500 local UM alumni. A 26% response rate was received from the survey, with 67% of the responses expressing favorable interest in the ULRC.

The Developer and the University have made considerable efforts and investment to inform and communicate with the community. A very deliberate and proactive community outreach process has evolved. Regular communication with local newspapers, radio and TV, as well as speaking engagements with local civic organizations, has been ongoing. Numerous sessions with focus groups comprised of neighbors, University personal, students, special interests and city council members have been held. Attendance at community meetings was actively solicited utilizing neighborhood postings, newspaper advertisements prior to and on the day of the meetings, and as e-mail and phone notification lists. To date, the Developer has held numerous individual meetings, five focus group meetings, three public open houses and one public workshop to explain, discuss, and seek input for the project.

While input from these early meetings represented a broad range of ideas, several common issues emerged. In order of relevance, these issues include:

- 1) The fact that the site plays an important role as community opens space.
 - Citizens want to maintain a level of multi-use and access to the site;
 - Citizens don't want to lose views to mountains and sense of openness;
 - Citizens would like to see key recreation and community elements maintained.
 - Citizens believe:
 - Hang gliders are an important icon of the neighborhood and Missoula.
 - Community gardens are important for education and social interaction.
 - Cross-country running and hiking trails are important to the University and community.
 - Golf is actively used by a limited number of neighborhood residents and as a learning center for the community and the University population.
- 2) The University's growth and expansion often has a negative impact upon the neighborhood through increased traffic and parking demands.
- 3) If the site is to be developed, what is the vision for the whole site? Shouldn't an important component of that vision include a set-aside for Future Academic Expansion?
- 4) What level of design standards will be used? Can the project demonstrate leadership in site planning, green building and neighborhood design which others then can look to in the future?
- 5) Will the new property owners be contributing to the real estate tax base?

Based upon these comments, the results of the market study, an analysis of existing site conditions and review of the University's Master Plan, the Developer and its consultant team prepared a series of site studies for further evaluation. After several iterations and discussions with University staff, a concept plan was refined and presented to the community on April 6, 2005. This plan calls for 590 units of mixed product to be built in three to five phases, with a mix of cottages, condominiums, villas and apartments. Based on this mix the developer commissioned a preliminary fiscal impact study that calculated the impact to the Missoula real estate tax base. The plan, at this juncture, reflects a carefully balanced use of best practices for the site and product design, which responded to community concerns and the market study. The plan space attempts to address the following areas of concern:

- 1) **Open Space**
 - The plan provides an inter-connected, layered, multi-use open space network that will be accessible to both residents of South Campus and the neighborhood.
 - The open space framework has been created to frame key views and develops usable access to Mt. Sentinel.

- The final open space program connects a variety of uses, including passive parks, trails and walking paths, a potential landing area for hang gliders, and a design that will allow cross country events to still take place on site.

2) **Transportation**

- The plan maintains and improves the park and ride system.
- All new development would be designed to “Self Park”.
- The overall plan of residential development reflects best practices in walkable community design, with trails and interconnected streets & walkways.
- The eventual need for a focused traffic study to evaluate and mitigate any project impacts upon the existing street system.

3) **Vision**

- The plan preserves adequate space for master planning of future academic buildings on this site.
- The plan will generate a long-term framework of open space and connections that will allow uses to evolve over time. Creating a campus atmosphere throughout the community.
- The golf course will be phased out over time. The current plan strives to keep some holes in play through all phases of development to serve both as visual open space and community practice facility.

4) **Design**

- The plan utilizes and explores best practices in green site and building design;
- Maintenance and upkeep of property will be covered by a maintenance fee generated by the HOA;
- Special needs of proposed clientele (i.e. elderly, disabled, limited mobility) will be honored in site and building design;

5) **Fiscal and Economic Impacts**

- The Preliminary Fiscal Impact Study predicts an annual property tax increase of approximately \$700,000 per year at build out.
- A more in-depth study will be conducted as part of the next stage of fiscal evaluations. This study will include the impacts of \$50-\$100M worth of construction and real estate business, as well as the spending impacts of the 1,000 occupants in the ULRC to the Missoula economy.

Comments taken at the most recent community meeting reflected increasing project support, but continued concern over certain issues. These areas of concern can be summarized as follows:

- 1) Loss of the golf course, There was a small, but vocal contingent of neighborhood residents that are concerned about the loss of 9 holes of golf and impact upon their recreational and social outlet.
- 2) The need to develop. While not the purview of the Developer, the need for the project was raised several times;
- 3) Use of proceeds. While some attendees appreciated the financial needs of the University and saw the benefit of this development, they wanted to know how the University would utilize funds generated by the project.
- 4) Unfair University advantage. Concern was expressed the University would have an unfair advantage over the private sector in the area of real estate development.

UM personal has toured three successful ULRC’s. These site visits have given the University a better understanding of what it takes to make a successful ULRC. UM has identified resources to assist its efforts in programming a successful resident participation menu for the community.

At this time the project is awaiting further plan refinement to address some issues raised at the meeting, and more detailed financial analysis. The current plan is for continued community outreach and education about the project's merits and review and discussion with the Regents in early May. A declaration from the Regents to continue evaluating this proposal will persuade the developers to finalize an Environmental Assessment of the project, complete the conceptual plans for the first phase of the project and complete the fiscal analysis. The parties anticipate having a final proposal in front of the Regents at their September session.