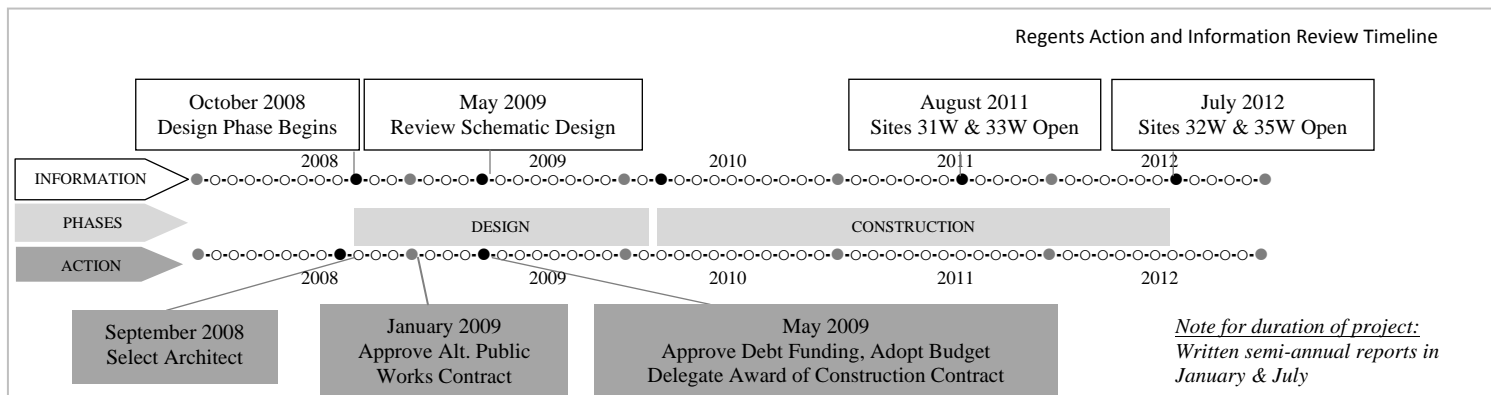


VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

Student Housing Project Phase 1 – Approve Debt Funding, Approve Project Budget, and Delegate Award of Construction Contract



RECOMMENDED ACTION:

It is the recommendation of the administration and the Finance, Audit and Facilities Committee that the Board of Regents approve:

- 1) The design and construction budget of \$147,700,000 and the total project budget of \$161,926,000, and
- 2) The use of the Internal Lending Program to fund up to \$164,000,000 for design, construction, furniture, fixtures, equipment, and parking, and
- 3) Delegate award of the construction contract.

BACKGROUND:

The Department of Housing and Food Services (HFS) developed a Comprehensive Housing Master Plan which was shared with the Board of Regents in March 2008. Since then, the University of Washington has identified sites within its west campus region to be developed as Student Housing. The purpose of this project is to construct residence halls on sites 32W, 33W and 35W, and single student apartments on site 31W. Each site is located adjacent to or near NE Campus Parkway in west campus (see attached Housing Project Site Plan). We anticipate that the facilities will be sixty-five to seventy-five feet high, consist of five stories of wood frame construction above two stories of concrete, and that the four facilities will house approximately 1,600 to 1,700 students. The development of these four facilities will help define the collegiate urban nature of west campus. Connecting west campus to both the main campus and the University District is an important part of this project. The anticipated occupancy

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

#### Student Housing Project Phase 1 – Approve Debt Funding, Approve Project Budget, and Delegate Award of Construction Contact (continued p. 2)

dates are August 2011 for sites 31W and 33W and August 2012 for sites 32W and 35W.

The development of these residence halls will assist in creating a richer on-campus community, alleviating the currently overcrowded conditions within student housing and will also provide surge space to support renovation of existing residence halls, which is anticipated to begin in 2014.

#### SCHEDULE

Architect Selection	September 2008
Predesign	October 2008—February 2009
Design	March 2009—February 2010
Construction sites 31W and 33W	March 2010—August 2011
Construction sites 32W and 35W	January 2011—July 2012
Occupancy sites 31W and 33W	August 2011
Occupancy sites 32W and 35W	July 2012

#### PROJECT BUDGET

The total project budget request is for \$161,926,000. This figure consists of the capital project budget of \$147,700,000, as outlined in attachment 2, plus \$14,226,000 for HFS to purchase furniture, equipment, land, and parking.

#### FINANCING PLAN

The sources and uses for the project are below:

<b><u>Sources of Funds</u></b>	
Internal Lending Program	<u>163,545,000</u>
Total Sources of Funds	<u><u>163,545,000</u></u>
<b><u>Uses of Funds</u></b>	
Project/Construction Cost	147,700,000
Furniture, Fixtures and Equipment	8,282,000
Parking Remediation/Land	5,944,000
Cost of Issuance	<u>1,619,000</u>
Total	<u><u>163,545,000</u></u>

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

Student Housing Project Phase 1 – Approve Debt Funding, Approve Project Budget, and Delegate Award of Construction Contact (continued p. 3)

#### CREDIT ANALYSIS

The Treasury Office performed a detailed credit analysis for Housing and Food Services as part of the due diligence for this borrowing. For purposes of this credit analysis, Phase 1 was evaluated in isolation from future phases of the Master Plan.

#### **Phase I Off-Ramps**

Off-ramps provide an opportunity to adjust project scope and/or timing in response to changing circumstances. HFS has identified two off-ramps during Phase 1 that are tied to the demand for on-campus housing in the coming academic year.

The first off-ramp occurs in September 2009, when occupancy will be established for the 2009-2010 academic year. If the occupancy rate is at 90 percent or less of capacity (after eliminating overcrowding) in Autumn 2009, construction on Phase I will be postponed.

The second off-ramp occurs in the fall of 2010, when occupancy will be established for the 2010-2011 academic year. If the occupancy rate is at 90 percent or less of capacity (after eliminating overcrowding) in Autumn 2010, construction on sites 32W and 35W will be either reduced in scale or postponed.

#### **Base Case and Stress Tests**

Project debt will be repaid with incremental revenue from new residence halls and apartments. The base case analysis shows that HFS will be able to service the project debt while maintaining a minimum coverage of 1.25 times with reserve levels at or above targeted minimums.

Sensitivity analyses were performed to determine that HFS will be able to repay project debt even with key revenue drivers under stress -- reduced occupancy, slower growth in rental rates, and a combination of both.

The analyses show that HFS could maintain minimum debt service coverage and reserve levels even if occupancy levels at base rental rates fell by an average of 7 percent per year from 2011-2014.

## VII. STANDING COMMITTEES

### B. Finance, Audit and Facilities Committee

#### Student Housing Project Phase 1 – Approve Debt Funding, Approve Project Budget, and Delegate Award of Construction Contract (continued p. 4)

A combination of factors relating to rental rates would have to occur for coverage and reserve levels to be affected. First, base rental rate increases (projected at 6 percent per year) would have to fall to 4 percent per year. Second, the 50 percent "step-up" increase in rental rates for new housing product would have to be decreased to 30 percent.

Under the "maximum stress" scenario, occupancy is assumed to be below the 95 percent base level, with a low of 85 percent in 2011. Without any management response, debt service coverage would be expected to drop below 1 times in 2012 and reserves would be depleted by 2014. Mitigation actions would include closing underperforming residence halls, reducing staff costs, and reducing capital expenditures.

#### PREVIOUS ACTIONS

September 2008 - Architect Appointment

December 2008 - Funding was authorized for the purchase of the Cavalier Apartments

January 2009 - GC/CM alternative public works contracting was authorized

#### *Attachments*

1. Housing Project Site Plan
2. Capital Projects Office Design and Construction Budget
3. Housing and Dining Base Case Proforma
4. Stress Tests



**UNIVERSITY OF WASHINGTON  
CAPITAL PROJECTS OFFICE - SUMMARY PROJECT BUDGET  
ALTERNATIVE PROCUREMENT (GC/CM OR D-B)**

PROJECT: Housing - New Residence Halls Phase 1

Project Number: 202707

ESTIMATED DATE OF COMPLETION: July 2012

<u>Project Budget</u>	<u>Total Escalated Cost</u>	<u>% of TPC*</u>
Pre-Schematic Design Services	\$ 741,175	0.50%
A/E Basic Design Services	\$ 5,595,301	3.79%
Extra Services	\$ 2,305,124	1.56%
Other Services	\$ 790,399	0.54%
Design Services Contingency	\$ 1,047,918	0.71%
<b>Consultant Services</b>	<b>\$ 10,479,917</b>	<b>7.10%</b>
GC/CM Construction Cost	\$ 109,737,839	74.30%
Other Contracts	\$ -	0.00%
Construction Contingencies	\$ 9,527,800	6.45%
Sales Tax	\$ 11,330,236	7.67%
<b>Construction</b>	<b>\$ 130,595,875</b>	<b>88.42%</b>
Equipment	\$ -	0.00%
Artwork	\$ 100,000	0.07%
Other Costs	\$ 2,817,458	1.91%
Project Management	\$ 3,706,750	2.51%
<b>Other</b>	<b>\$ 6,624,208</b>	<b>4.48%</b>
<b>Total Project Cost (TPC)*</b>	<b>\$ 147,700,000</b>	<b>100.00%</b>
<b><u>Included in Above:</u></b>		
Escalation through April 2011	\$ 9,567,166	6.48%
<b><u>Source of Funds:</u></b>		
UW Housing & Food Services	\$ 147,700,000	100.00%
<b>Total</b>	<b>\$ 147,700,000</b>	<b>100.00%</b>

**Housing and Food Services Proforma FY2008-2020  
Phase 1 Only**

	Audited	Projected	Proforma										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Operating Revenue (1)	55,763	59,773	59,969	62,950	71,114	81,171	85,148	89,296	93,634	97,730	102,522	107,528	112,801
Total Operating Expenses	43,862	47,046	48,997	50,808	54,249	58,499	60,630	62,869	65,192	67,603	70,105	72,701	75,396
<b>Net Operating Income</b>	<b>11,901</b>	<b>12,727</b>	<b>10,973</b>	<b>12,142</b>	<b>16,865</b>	<b>22,671</b>	<b>24,518</b>	<b>26,427</b>	<b>28,442</b>	<b>30,127</b>	<b>32,417</b>	<b>34,827</b>	<b>37,406</b>
Non Operating Income	3,441	3,110	2,367	2,558	2,587	2,691	2,785	2,397	2,524	2,621	2,780	3,020	3,348
<b>Total Income Before Debt Service and Capital Expenses</b>	<b>15,342</b>	<b>15,838</b>	<b>13,340</b>	<b>14,700</b>	<b>19,452</b>	<b>25,363</b>	<b>27,303</b>	<b>28,824</b>	<b>30,966</b>	<b>32,748</b>	<b>35,197</b>	<b>37,847</b>	<b>40,754</b>
Debt Service													
HFS Debt Service	5,661	5,983	6,214	6,204	6,210	6,213	5,647	5,645	5,640	5,644	5,639	5,639	5,639
Phase 1 Debt Service	-	-	532	3,614	7,904	8,941	11,778	12,498	13,825	13,834	13,832	13,834	13,833
<b>Total Debt Service</b>	<b>5,661</b>	<b>5,983</b>	<b>6,746</b>	<b>9,818</b>	<b>14,114</b>	<b>15,154</b>	<b>17,425</b>	<b>18,143</b>	<b>19,465</b>	<b>19,478</b>	<b>19,471</b>	<b>19,472</b>	<b>19,471</b>
HFS Debt Service Coverage	2.71	2.65	1.98	1.50	1.38	1.67	1.57	1.59	1.59	1.68	1.81	1.94	2.09
Total System Debt Service Coverage (2)	1.77	1.83	1.60	1.39	1.34	1.57	1.51	1.54	1.56	1.64	1.75	1.87	2.00
Capital Expenses	5,287	6,962	4,800	4,316	4,333	4,351	4,368	4,387	8,950	8,970	8,990	9,011	9,032
<b>Income after Debt Service and Capital Expenses</b>	<b>4,395</b>	<b>2,893</b>	<b>1,793</b>	<b>566</b>	<b>1,005</b>	<b>5,858</b>	<b>5,510</b>	<b>6,294</b>	<b>2,550</b>	<b>4,300</b>	<b>6,736</b>	<b>9,364</b>	<b>12,250</b>
Beginning Reserve Balance	8,077	12,472	15,365	17,158	17,724	18,729	24,586	30,096	36,390	38,940	43,240	49,976	59,340
Plus Income after Debt Service and Cap Ex.	4,395	2,893	1,793	566	1,005	5,858	5,510	6,294	2,550	4,300	6,736	9,364	12,250
<b>Ending Reserve Balance</b>	<b>12,472</b>	<b>15,365</b>	<b>17,158</b>	<b>17,724</b>	<b>18,729</b>	<b>24,586</b>	<b>30,096</b>	<b>36,390</b>	<b>38,940</b>	<b>43,240</b>	<b>49,976</b>	<b>59,340</b>	<b>71,590</b>
Reserve Balance Distribution													
Repair & Replacement Fund	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Facility Improvement Fund	8,148	10,653	12,085	12,260	12,847	18,258	23,653	30,088	32,769	37,188	44,033	53,488	65,804
Retail and Remote Food Fund	1,325	1,712	2,073	2,464	2,882	3,329	3,443	3,302	3,171	3,052	2,943	2,851	2,786
<b>Total Reserve</b>	<b>12,472</b>	<b>15,365</b>	<b>17,158</b>	<b>17,724</b>	<b>18,729</b>	<b>24,586</b>	<b>30,096</b>	<b>36,390</b>	<b>38,940</b>	<b>43,240</b>	<b>49,976</b>	<b>59,340</b>	<b>71,590</b>
<b>HFS Total Debt Outstanding</b>	<b>61,330</b>	<b>65,348</b>	<b>85,981</b>	<b>168,189</b>	<b>211,255</b>	<b>214,766</b>	<b>209,414</b>	<b>203,697</b>	<b>197,702</b>	<b>191,391</b>	<b>184,767</b>	<b>177,816</b>	<b>170,514</b>

## NOTES:

- (1) Includes Housing and Dining System and Retail and Remote  
(2) Includes debt service for Housing and Dining System, Retail and Remote, and Public Private Partnerships

## Attachment 4 - Stress Tests

### Stress Test #1: Occupancy Levels

Assumptions: Occupancy is the lowest possible to still meet 1.25 minimum coverage in years 2011-2014. Thereafter, occupancy escalates to Base Case by 2020. All expenses remain the same, except residential food, which is adjusted to reflect lower occupancy.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
HFS Net Operating Income	13,340	12,250	17,658	18,984	21,800	23,812	25,942	27,831	30,483	33,455
Total Debt Service	6,746	9,818	14,114	15,154	17,425	18,143	19,465	19,478	19,471	19,472
Debt Service Coverage	1.98	1.25	1.25	1.25	1.25	1.31	1.33	1.43	1.57	1.72
Income after Capital Expenses and Debt Service	1,793	(1,884)	(789)	(521)	615	1,282	(2,473)	(616)	2,023	4,972
Ending Reserve Balance	17,158	15,274	14,485	13,963	14,578	15,860	13,386	12,770	14,792	19,765
Occupancy Rate	95.0%	88.8%	92.5%	85.2%	90.2%	91.0%	91.8%	92.6%	93.4%	94.2%

### Stress Test #2: Rate Increases

Assumptions: Current housing rates increase from 2011-2014 at 4% annually. Thereafter, rate increases escalate in a straight line until they reach Base Case of 6% by 2020.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
HFS Net Operating Income	13,340	14,200	17,751	21,857	22,819	23,408	24,670	25,690	27,409	29,434
Total Debt Service	6,746	9,818	14,114	15,154	17,425	18,143	19,465	19,478	19,471	19,472
Debt Service Coverage	1.98	1.45	1.26	1.44	1.31	1.29	1.27	1.32	1.41	1.51
Income after Capital Expenses and Debt Service	1,793	65	(696)	2,352	1,025	878	(3,746)	(2,758)	(1,052)	951
Ending Reserve Balance	17,158	17,223	16,527	18,879	19,905	20,782	17,036	14,278	13,227	14,178

### Stress Test #3: Occupancy Levels and Rate Increases - "Perfect Storm"

Assumptions: Current housing rates increase from 2011-2014 at 4% annually. Thereafter, rate increases escalate in a straight line until they reach Base Case of 6% by 2020. Also, occupancy is at 85% in 2011 and escalates to Base Case by 2020.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
HFS Net Operating Income	13,340	10,301	13,154	16,354	16,772	17,268	18,558	19,740	21,727	24,154
Total Debt Service	6,746	9,818	14,114	15,154	17,425	18,143	19,465	19,478	19,471	19,472



Debt Service Coverage	1.98	1.05	0.93	1.08	0.96	0.95	0.95	1.01	1.12	1.24
Income after Capital Expenses and Debt Service	1,793	(3,934)	(5,193)	(3,151)	(5,022)	(5,262)	(9,858)	(8,708)	(6,734)	(4,329)
Ending Reserve Balance	17,158	13,224	8,031	4,880	(142)	(5,404)	(15,261)	(23,969)	(30,703)	(35,033)
Occupancy Rate	95.0%	85.0%	86.1%	87.2%	88.3%	89.4%	90.6%	91.7%	92.8%	93.9%

### Navigating the Perfect Storm - Potential Management Action

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Reduce Operations and Administration Costs	-	4,300	4,400	4,600	4,800	4,900	5,100	5,300	5,500	5,700
Eliminate Planned Central Services Project	-	-	-	-	225	600	1,300	1,300	1,300	1,300
Reduce Capital Expenses	-	2,100	2,100	2,100	2,100	2,100	4,500	4,500	4,500	4,500
Total Expense Reductions	-	6,400	6,500	6,700	7,125	7,600	10,900	11,100	11,300	11,500
HFS Net Operating Income after Expense Reductions	13,340	16,701	19,654	23,054	23,897	24,868	29,458	30,840	33,027	35,654
Total Debt Service	6,746	9,818	14,114	15,154	17,425	18,143	19,465	19,478	19,471	19,472
Debt Service Coverage	1.98	1.70	1.39	1.52	1.37	1.37	1.51	1.58	1.70	1.83
Income after Capital Expenses and Debt Service	1,793	2,566	872	3,198	1,510	1,353	(661)	669	2,823	5,407
Ending Reserve Balance	17,158	19,724	20,597	23,795	25,305	26,658	25,996	26,665	29,488	24,894
Occupancy Rate	95.0%	85.0%	86.1%	87.2%	88.3%	89.4%	90.6%	91.7%	92.8%	93.9%

# STUDENT HOUSING | WEST CAMPUS

## UNIVERSITY OF WASHINGTON

14 May 2009

# Student Housing Goals and Desired Outcomes

- ❑ Provide students with a memorable and life-shaping undergraduate experience.
- ❑ Create programs and spaces that will provide residents with a significantly higher quality of life and a greatly enhanced living/learning experience.
- ❑ Create community environments that maximize safety and security for residents both in and adjacent to the residential buildings.
- ❑ Enhance the quality of the residential facilities through sustainable renovation and new construction.
- ❑ Increase availability of on-campus housing in order to accommodate a higher percentage of the student population.





17 APRIL 2009 mahlum 1

- Environments that maximize safety and security
- High quality program space that enhances the living/learning experience
- LEED Gold and AIA 2030 Challenge
- An urban village which will influence development in the University District
- Performance and value through fiscally responsible design solutions

# Phase I Scope

## UW West Campus Housing Sites

:: 4 Project Sites: 31, 32, 33, 35

## Schedule

:: 2011 Occupancy  
Site 33 Residential Hall  
Site 31 Apartments  
619 Beds

:: 2012 Occupancy  
Site 32 Residential Hall  
Site 35 Residential Hall  
1,033 Beds

## Total Residential Capacity

:: 1,652 Beds

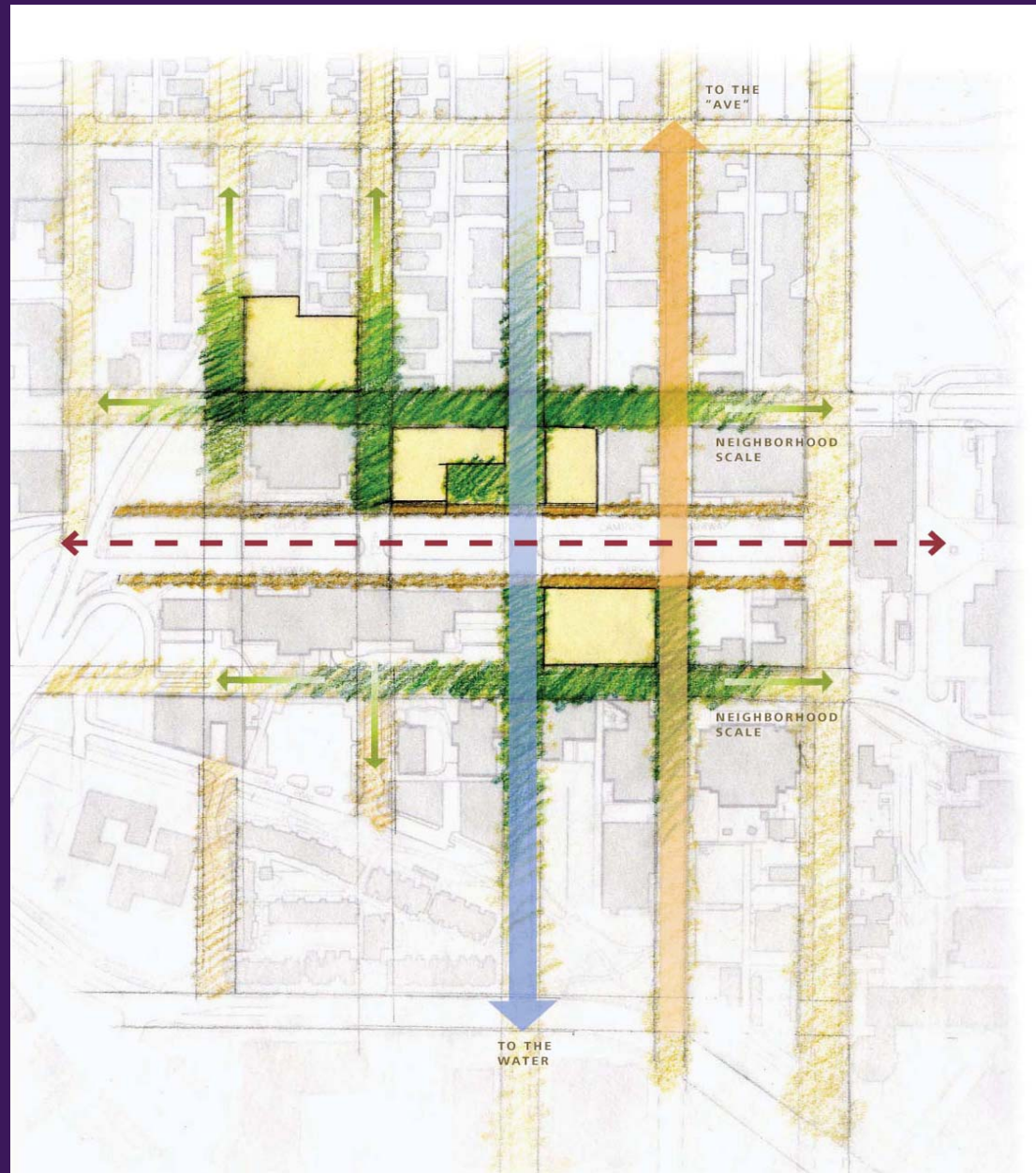


WEST

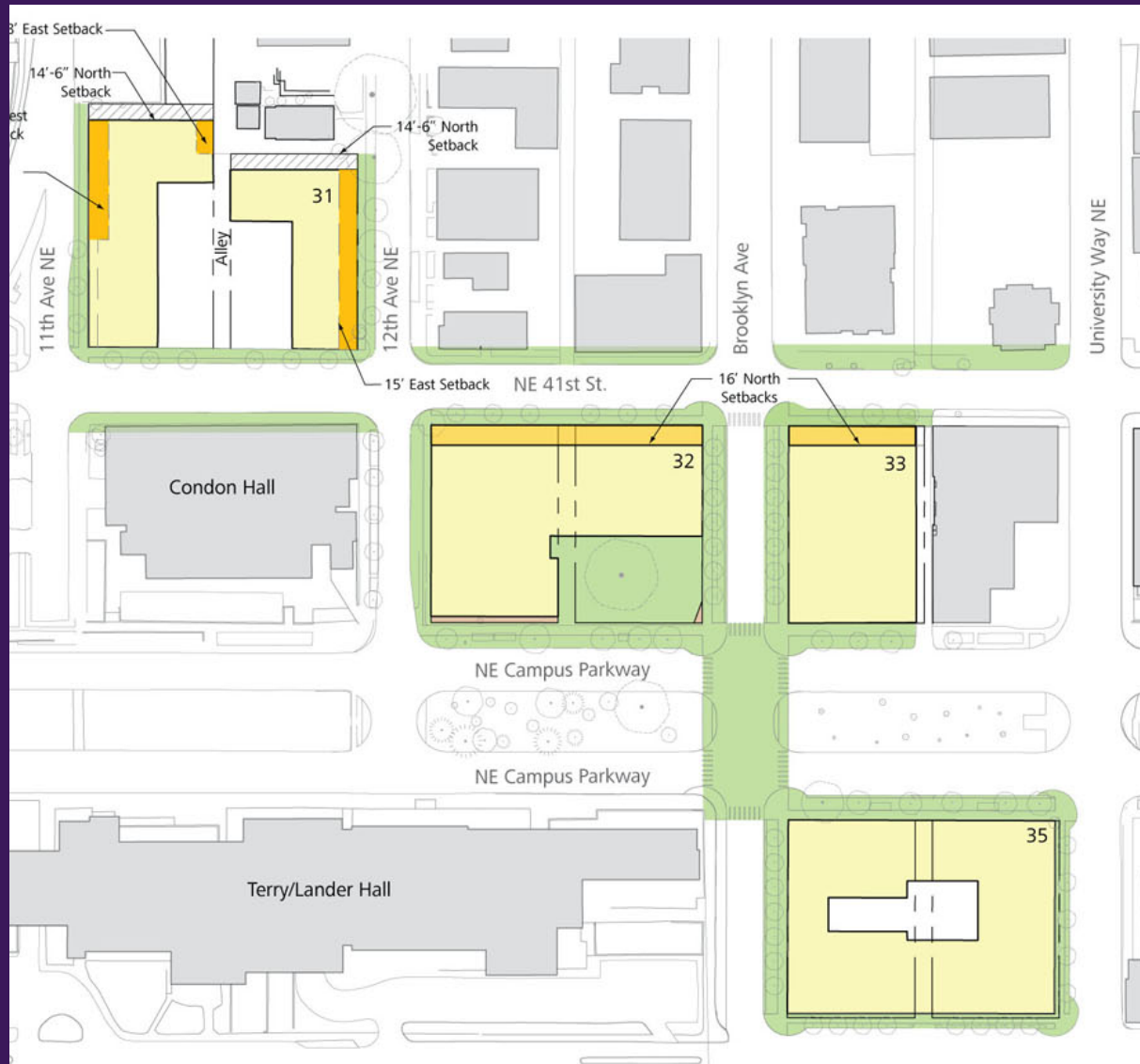
CAMPUS

LANDSCAPE

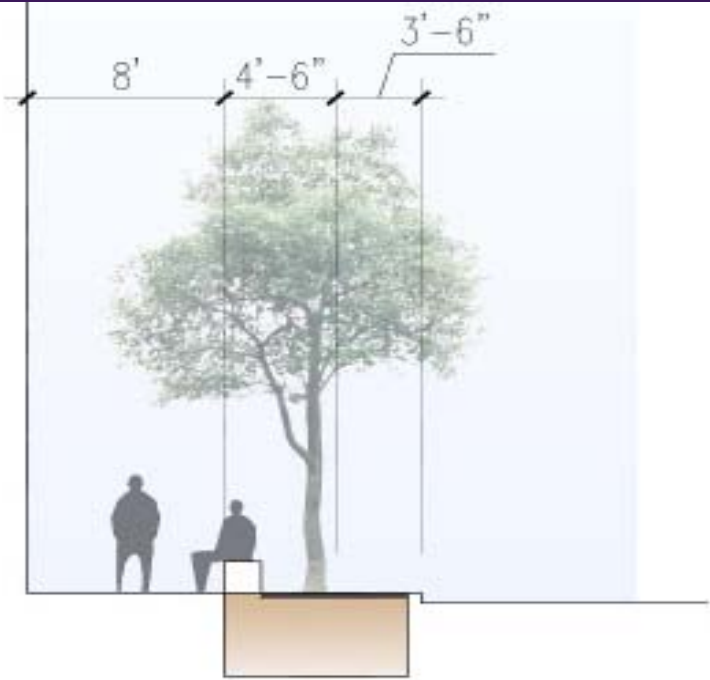
CONCEPT



# WEST CAMPUS PUBLIC SPACE IMPROVEMENTS



# WEST CAMPUS PUBLIC SPACE IMPROVEMENTS





# Activating Uses

## Campus Community

- :: 1101 Restaurant
- :: Café With Seating
- :: Drama Studio
- :: Espresso Stand
- :: Ticket Booth
- :: Urban Market

## Residential Community

- :: Wellness Fitness Center
- :: Auditorium
- :: Live-Learn
- :: Computer Lab
- :: High Tech Games/Creative Room
- :: Music Practice Rooms
- :: Laundry
- :: Mailboxes
- :: Group Kitchens
- :: Group Lounges
- :: Resident Director Offices



# POSSIBLE COLOR SCHEMES



# Site 33

273 Beds

- :: 130 Double Occupancy Rooms
- :: 5 Single Occupancy Rooms
- :: 6 Efficiency Units
- :: 1 (2)-Bedroom Apartment

G1

- :: Residential Lobby
- :: Resource Area
- :: Rd Offices
- :: Classrooms

G2

- :: Lounges
- :: Group Kitchen
- :: Laundry
- :: Mail
- :: Retail (access from 41<sup>st</sup>)



# SITE 33 :: VIEW FROM SOUTHWEST

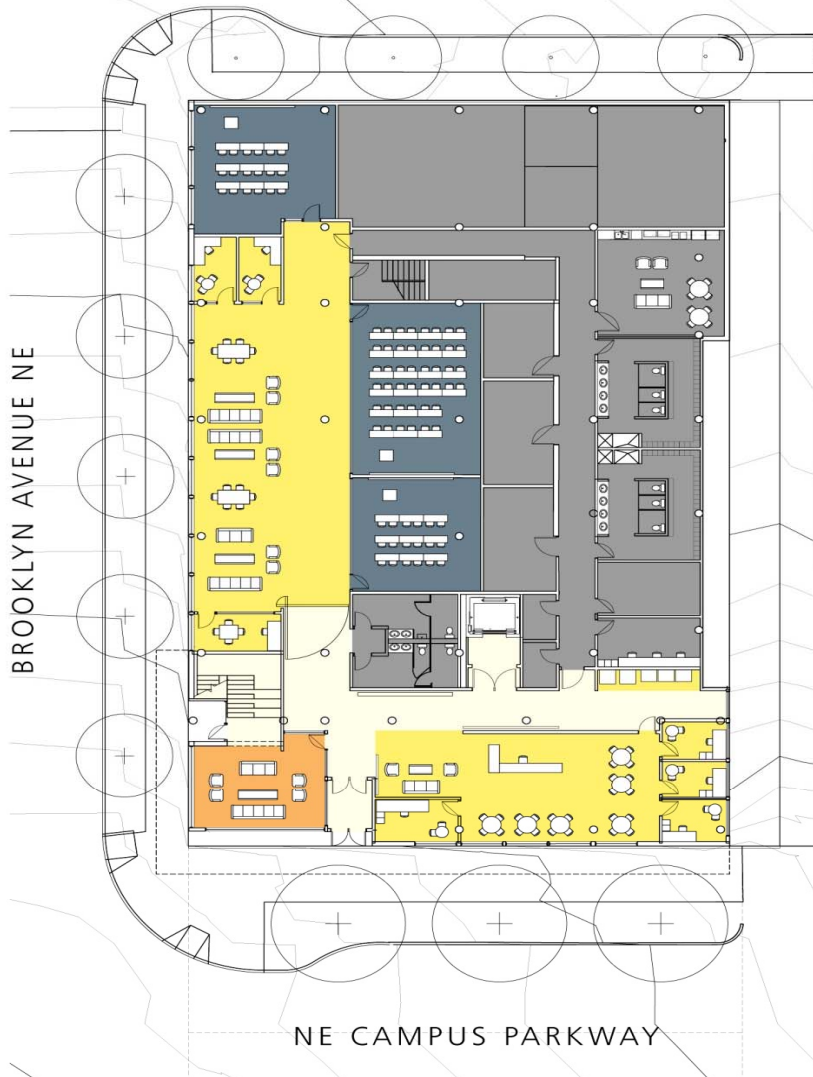


# SITE 33 :: VIEW FROM NORTHWEST



# SITE 33: G-1 & G-2 FLOOR PLAN

NE 41ST STREET



NE 41ST STREET



# SITE 33: R-1 THROUGH R-5



# Site 31

346 Beds

- :: 76 (4)-Bedroom Apartments
- :: 11 (2)-Bedroom Apartments
- :: 20 Studio Apartments

G1

- :: Residential Lobby
- :: Lounges
- :: Laundry
- :: Mail
- :: Resident + Commuter Parking

G2

- :: Resident Parking
- :: Game Room



Site 31



# SITE 31 :: VIEW FROM SOUTHEAST

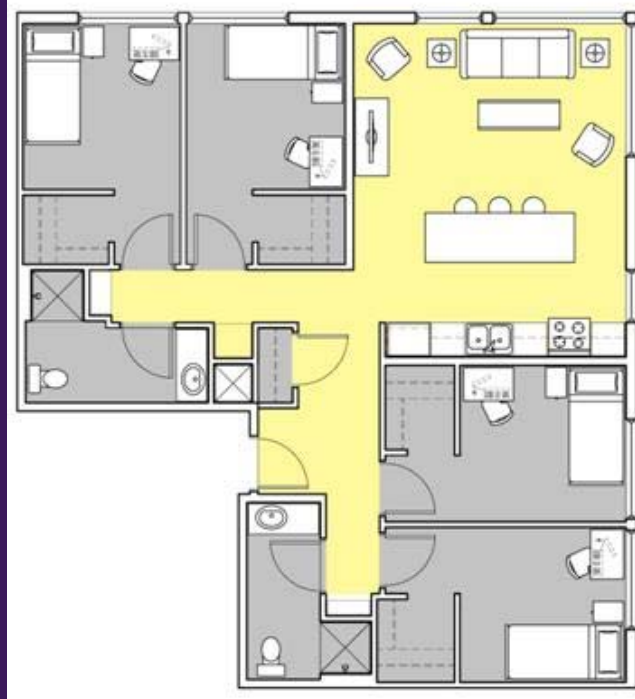


# SITE 31 :: VIEW FROM SOUTHWEST

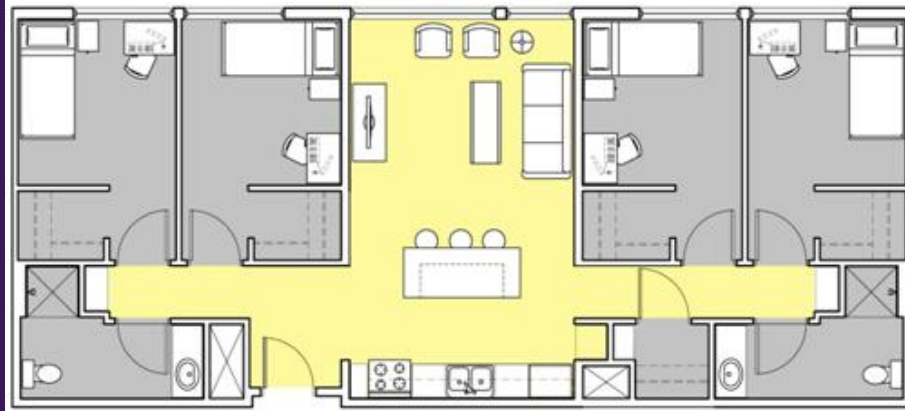




4-BEDROOM APARTMENT :: CORNER UNIT



4-BEDROOM APARTMENT



# Site 32

442 Beds

- :: 210 Double Occupancy Rooms
- :: 12 Single Occupancy Rooms
- :: 6 Efficiency Units
- :: 2 (2)-Bedroom Apartments

G1

- :: Health + Wellness Center
- :: Classrooms
- :: Drama Studio

G2

- :: Café
- :: Residential Lobby
- :: Lounges
- :: Group Kitchen
- :: Laundry
- :: Retail (access from 41<sup>st</sup>)
- :: Terrace



# Site 35

591 Beds

- :: 285 Double Occupancy Rooms
- :: 11 Single Occupancy Rooms
- :: 6 Efficiency Units
- :: 2 (2)-Bedroom Apartments

G1

- :: HFS Offices
- :: Classrooms
- :: Bike Storage

G2

- :: 200-Seat Auditorium
- :: Espresso Stand
- :: Residential Lobby
- :: Lounges
- :: Group Kitchen
- :: Laundry
- :: Terrace



# FINANCING PLAN