Student and Employee Housing Planning and Implementation

Foothill-De Anza Community College District

April 2024

Agenda

1. Overview
2. Options Analysis
3. P3 Overview
4. Implementation Process

1. Overview

Strategic Objectives

FOOTHILL COLLEGE

Student Housing	Employee Housing
• Diversity, Equity, Inclusion and Belonging to support, Recruitment, Retention, Engagement, and Wellness and basic needs for students • Financial viability	• Diversity, Equity, Inclusion and Belonging to support, Recruitment, Retention, Community engagement, Wellness, and Sustainability • Financial viability

De Anza College

Student Housing	Employee Housing
• Cost-effective housing for students • Basic needs for students • Financial viability	• Environmental sustainability • Cost-effective housing • Financial viability

The strategic objectives were identified during interactive workshops held on December 11 and 15, 2023, involving the President's cabinets of Foothill College and De Anza College.

Housing Demand

FOOTHILL COLLEGE

Single Students	Family Students	Employee
584 Beds	252 Units	50 Units

De Anza College

Single Students	Family Students	Employee
786 Beds	297 Units	76 Units

2. Options Analysis

Initial Options Examined

		Option A Student + Employee 100% Below Market	Option B Student + Employee Mixed Rates	Option C Student Only Mixed Rates	Option D Student Only* 100% Affordable	Option E Employee 100% Affordable Rates	Option F Student Only 100% Affordable Rates	Option G Student Only 100% Below Market Rates
Location		Student: On Campus Employee: Off Campus	Student: On Campus Employee: Off Campus	On Campus	On Campus	On-Campus (Foothill)	Off-Campus (De Anza	Off Campus (De Anza)
Budget		$200M Bond + $200M P3	$200M Bond + $200M P3	$200M Bond + $200M P3	$200M Bond	$50M Bond	$150M Bond	$150M Bond + $120M P3
Student Rent		100% Below Market	80% Below Market, 20% Affordable	80% Below Market, 20% Affordable	100% Affordable	100% Affordable	100% Affordable	100% Below Market
De Anza	Student	423 beds	387 beds	492 beds	249 beds		350 beds	550 beds
Foothill	Student	325 beds	282 beds	363 beds	204 beds	75 beds		
District	Employee	50 units	50 units					

Informed by the findings in the Market and Demand Analysis and Site Identification Analysis; Collaboratively developed with District and College leadership

**Bond could be used for student/employee housing*

Direction/Questions to Answer/Pros & Cons

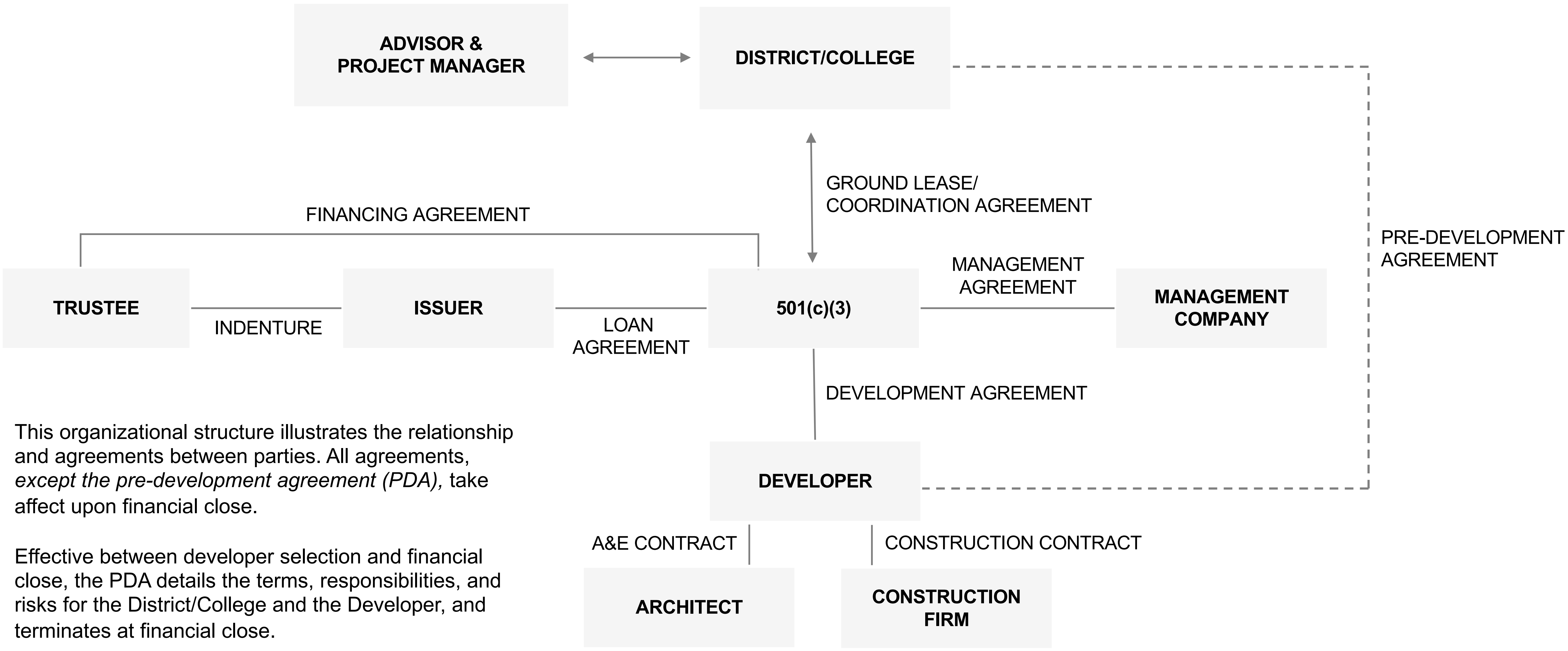
Question	On-Campus Pros	Off-Campus Pros	On-Campus Cons	Off-Campus Cons
Develop On- or Off-Campus?	1. Saves $$$ 2. Reduces entitlement risk 3. Increases access to campus services	1. Preserves on-campus planning flexibility 2. Increases access to retail amenities	1. Reduces on-campus planning flexibility 2. Reduces access to retail amenities	1. Costs $$$ that could go to more beds or affordability 2. Reduces access to campus services
Question	**All-Cash Pros**	**Cash/P3 Pros**	**All-Cash Cons**	**Cash/P3 Cons**
Finance All-Cash or with mix of cash and P3?	1. Maintains absolute District control over project 2. Allows District to charge extremely affordable rents	1. 50-100% larger program, serving more students 2. Reduces District risk for construction, delivery, and operations	1. Places all risk for construction, delivery, and operations on District 2. 50-100% smaller program, serving fewer students	1. Need average higher rents to service P3 debt 2. Partial loss of control while maintaining reputational risk

FOOTHILL-DE ANZA Community College District

VOLZ COMPANY

3. P3 Overview

P3 Structure



This organizational structure illustrates the relationship and agreements between parties. All agreements, *except the pre-development agreement (PDA),* take affect upon financial close.

Effective between developer selection and financial close, the PDA details the terms, responsibilities, and risks for the District/College and the Developer, and terminates at financial close.

Characteristics of a Public-Private Partnership

Team

Primarily consists of a developer, architect, builder, financing entity

Ownership of the Project
(campus housing improvements on District or College-owned land)

Transferred to a not-for-profit 501(c)(3) entity and site control is conveyed through a ground lease, which is usually terminable after Project financing is paid

Management Agreement

Between a 3rd party management entity/District or College and the Owner

Typically for 3 – 5 years

Including a matrix that details the responsibilities of the District or College and the manager

Continual 1.2 Debt Service Coverage Ratio Required

Net operating income / total debt service

Ownership Transferred to District/College

Upon repayment of the bond debt and expiration or termination of the ground lease (approximately 30 – 40 years)

Balancing to Achieve Goals

District/College Owned
Full district/college control, risk and resources

Developer Owned (Taxable Model)
Minimal district/college control, risk or resources

Factors

- Planning / site selection
- Financing
- Construction management
- Property management
- Residence life
- Management
- Marketing / assignments
- Learning communities

Implementation Strategies

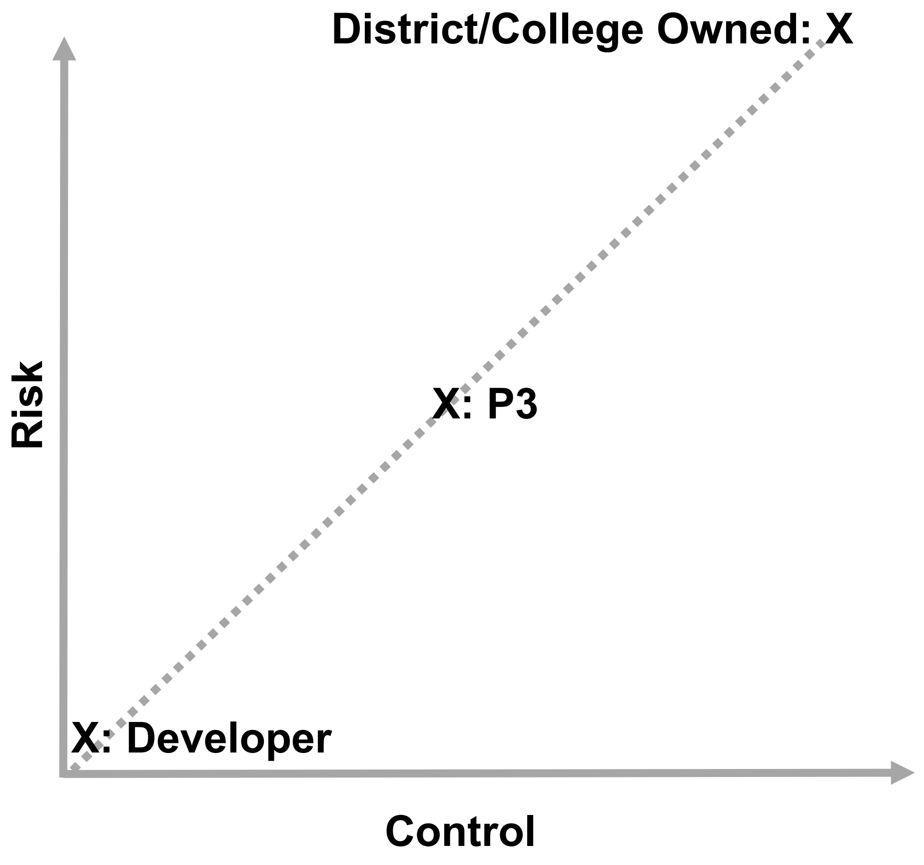
Sample Control Items:
Mission Alignment
Program Design
Construction Standards
Schedule
Operations – Program & Cash Flow

Example Risk Items:
Cost Impact
Credit Impact
Reputation Impact

Where is the X?

Balance flexibility of control with risk tolerance to achieve success

Risk versus Control



Common P3 Questions

How is the Project financed?

Will the District/College/taxpayers be at risk?

How much will this cost the College?

Where are the risks?

How is institutional control maintained?

What are our options?

What is the length of a public-private-partnership?

Potential Credit Impact Considerations

Location

Ground lease terms & conditions

Share of student residences

Targeted student market segment

Student services & residential life component

Rental rate determination

Marketing and management

Project assistance (direct & in-kind)

Cash flow

Construction risk

Non-compete clause and first-fill agreements

Application of financial aid

Room type / unit mix

Guarantees and supports

Potential Risks to the District/College

Pre-Development Risk

- PDA negotiated to minimize District/College exposure.
- District/College risk prior to financial close is topically limited to:
  - **Project Infeasibility** (failure to close, force majeure, etc.,)
    - All costs shared with developer
    - Costs typically shared equally (50/50)
  - **District/College Termination** (uncured default, termination for convenience)
    - All costs to date

Operational Risks

- Financial risk up to the limit of negotiated credit supports
- Residual cash flow at risk to Project performance
- Compliance with non-compete provisions and project prioritization conditions (*ie.,* statement of affiliation)
- Timely action and appropriate logistical support to owner and manager in the execution of their duties to cure potential events of default
- Reputational risk

Potential Support Features for P3 Projects

- **Expense Subordination** – Purpose of subordination is to increase the debt service coverage by having the District/College cover a portion of costs and agreeing to be reimbursed for those costs out of residual cash flow. Reimbursement of expenses is subject to Project performance. Subordinated costs usually include those that the District/College can provide at a rate less than the rate the project could obtain without an institutional account, such as utilities and security.
- **Partial Master Leasing** – Institution agrees to master lease a pre-determined percent of units for a specified time.
- **Contingent Master Lease** – District/College agrees to lease units in order to achieve sufficient DSCR only in cases where needed.
- **Space Leases** – Institution agrees to lease retail or other non-residential space for a specified time.
- **NOI Guarantees** – Institution guarantees a percent of the NOI necessary to achieve a 1.20 DSC for a specified time.
- **Project-Based Liquidity Reserves** – Funded out of project cash flow and usually covered by 1st year operations and release of capitalized interest reserve. Typically, these reserves stay throughout Project life, to cover any shortfalls that may trigger a coverage default. Reserves released after bond repayment and termination of ground lease.

3. Site Evaluation

Site Evaluation

- For one or more projects Foothill De Anza must select and acquire an off-campus site for the development of student/employee housing.
- Many factors, including price, must be considered in selecting the appropriate site.
- Volz Company utilizes a customized matrix to compare potential sites to determine the optimum selection.
- Primary points of comparison include:
  - Price
  - Size
  - Zoning
  - Planning overlays
  - Proximity to campus
  - Proximity to public transportation & retail amenities
  - Presence of environmental, structural, or soil issues
  - Availability of bulk utilities
  - Arboreal resources
  - Public school district (employee housing)

		Preliminary Score - Only Edit These Scores			
	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
		Student	Student	Employee	Student
Good Characteristic = 2					
OK Characteristic = 1					
Bad / Negative Characteristic = 0					
Characteristics					
Adjacencies / Amenities	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Access to Amenities & Auxiliary Uses					
Proximity to Student-Focused Activities					
Distance to food					
Distance to health care					
Distance to child care					
Green space / distance to a public open space					
Library & Resources					
Fitness / Rec Center					
Adjacencies / Amenities SubTotal					
Physical Characteristics	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Visible to Campus					
Walkability					
Site size & Expansion Options					
Proximity to Campus					
Physical Characteristics SubTotal					
Housing Demand	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Demand - Single Students	3				
Demand - Family Students	3				
Demand - Faculty/Staff	3				
Housing Demand SubTotal					
Development Considerations	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Acquisition Cost	3				
Acquisition Timeline	2				
Environmental Concerns	3				
Zoning / Regulatory Requirements	3				
Project Cost	3				
Ongoing Operational Cost	3				
Timeline from Design to Construction	2				
Development Considerations SubTotal					
Infrastructure	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Parking	3				
Impacts on Current Parking Capacity	3				
Public Transportation	3				
Available Infrastructure	2				
Infrastructure SubTotal					
Mitigated Impacts on Current Budgets	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Capital Improvement Costs	2				
Student Services/Campus Life Costs	2				
Staffing Costs	2				
Mitigated Impacts on Current Budgets SubTotal					
Other Key Considerations	Priority	De Anza Flint	De Anza Off Campus	Foothill Campus	Foothill Off Campus
Safety	2				
Shuttle Service	2				
Student Housing Management Risk	3				
Alignment to Leadership / Masterplan	2				
Other Key Considerations SubTotal					

4. Implementation /Process

Advancement

Example Project Timeline (Hypothetical Fall 2028 Move-in)

- Issue RFQ: September 2024
- Pre-RFQ Call: September 2024
- RFQ responses due: October 2024
- RFP Issued: November 2024
- Working session: December 2024
- RFP Submissions: Late January 2025
- Interviews & Developer Selection: February 2025
- Negotiations; Execution of Pre-Development Agreement: March 2025
- Design & DSA Approvals: April 2025 – October 2026
- Development of Ground Lease; Coordination Agreement: May 2026 – October 2026
- Construction: October 2026 – July 2028
- Substantial completion: July 2028
- Move-in: August 2028

Sept. 2024 — Nov. 2024 — Oct. 2026 — August 2028

Thank you!