



P3 Housing: Trends & Future

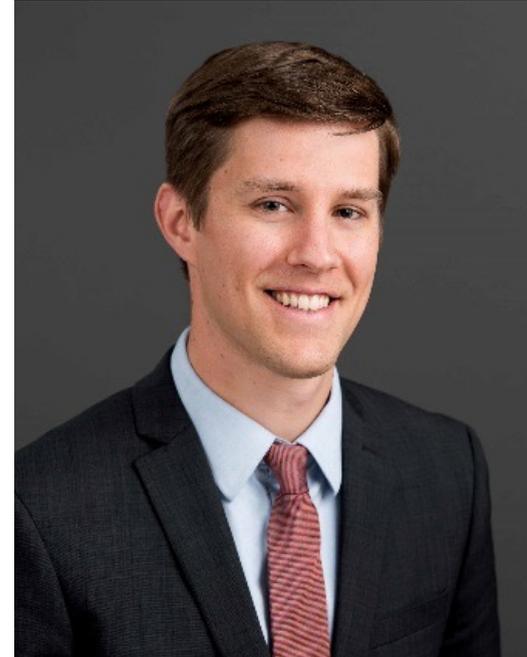
GLACUHO

MARCH 17, 2021



Meeting Agenda

- 01** Overview of B&D's P3 State of the Industry Report
- 02** COVID Impacts and Observations
- 03** Student Housing Professional's Role in a P3



Ryan Jensen

Director

Leads B&D's Chicago Office
Over \$300m in P3 transactions



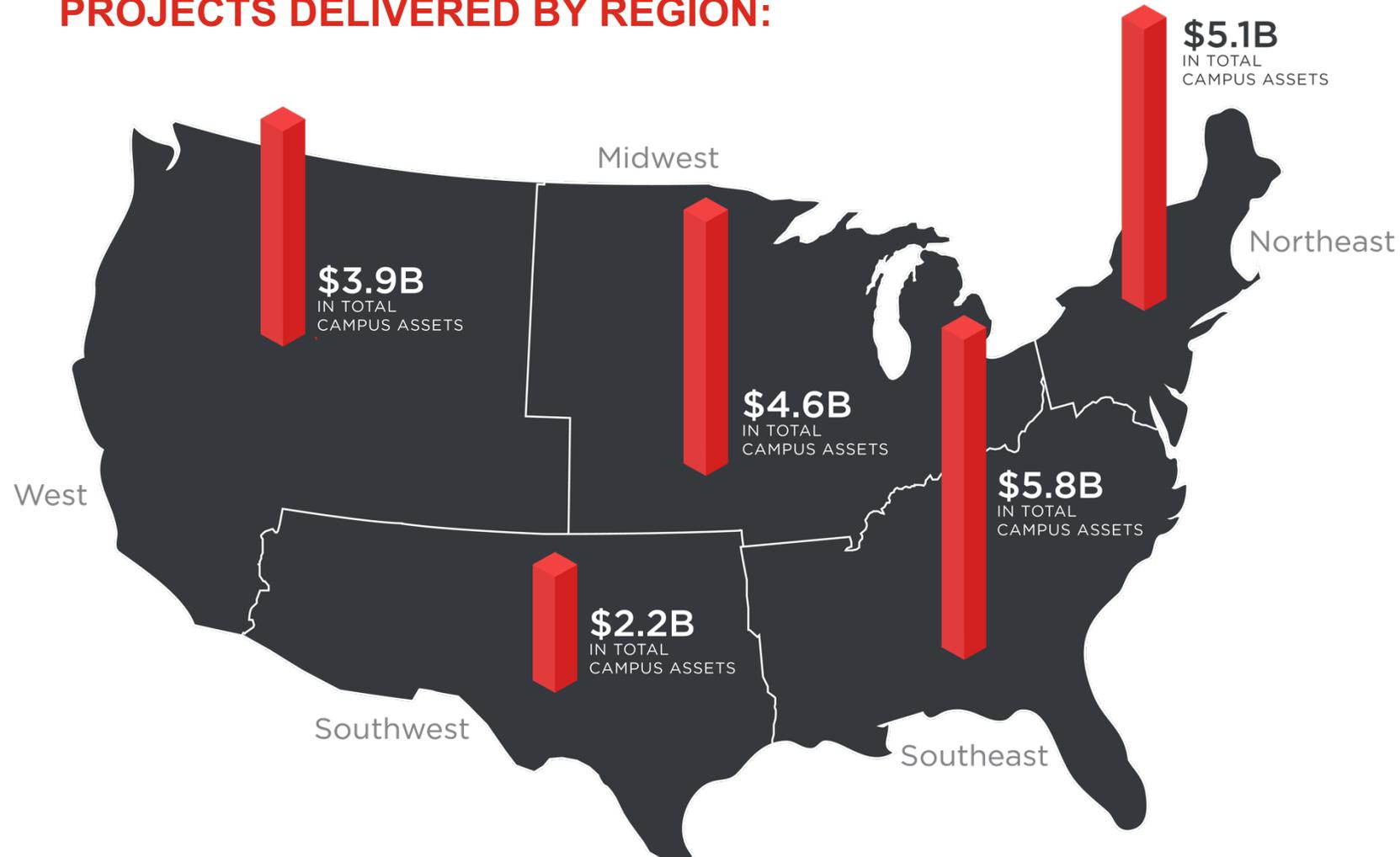
Susan Teggatz

Campus Housing Director
University of Illinois Chicago

About B&D

DELIVERING VALUE FOR COLLEGES & UNIVERSITIES

PROJECTS DELIVERED BY REGION:



28

Years in the industry

\$35B+

In delivered projects

1,200+

Completed projects

100+

P3 Projects

\$3.5B+

In P3 higher education advisory projects

26

States in which B&D has worked on P3 projects

Poll

How has COVID-19 changed your perspective on P3's?

- A. Favorably
- B. Unfavorably
- C. Unchanged
- D. Haven't thought about it



01

State of the P3 Industry



What is a P3?

OVERVIEW

- › Public-Private Partnerships (P3 or PPP) are **cooperative arrangements between two or more public and private sectors**
 - Typically longer-term agreements
- › Public-Private Partnerships have existed for decades now in a wide range of areas:
 - Municipal
 - Infrastructure
 - Higher Education
 - Environmental
 - International
- › During the 1990s, P3 popularity grew as various legislation was passed supporting P3 deal structures
- › Today, more government entities are viewing P3s as an option to provide various services or facilities



What is a P3?

VARIOUS HIGHER EDUCATION MARKETS FOR P3 AGREEMENTS



Student Housing
Faculty Housing
Workforce Housing
Hotel/Conference Center



Campus Recreation Centers
Student Unions
Health & Wellness Facilities



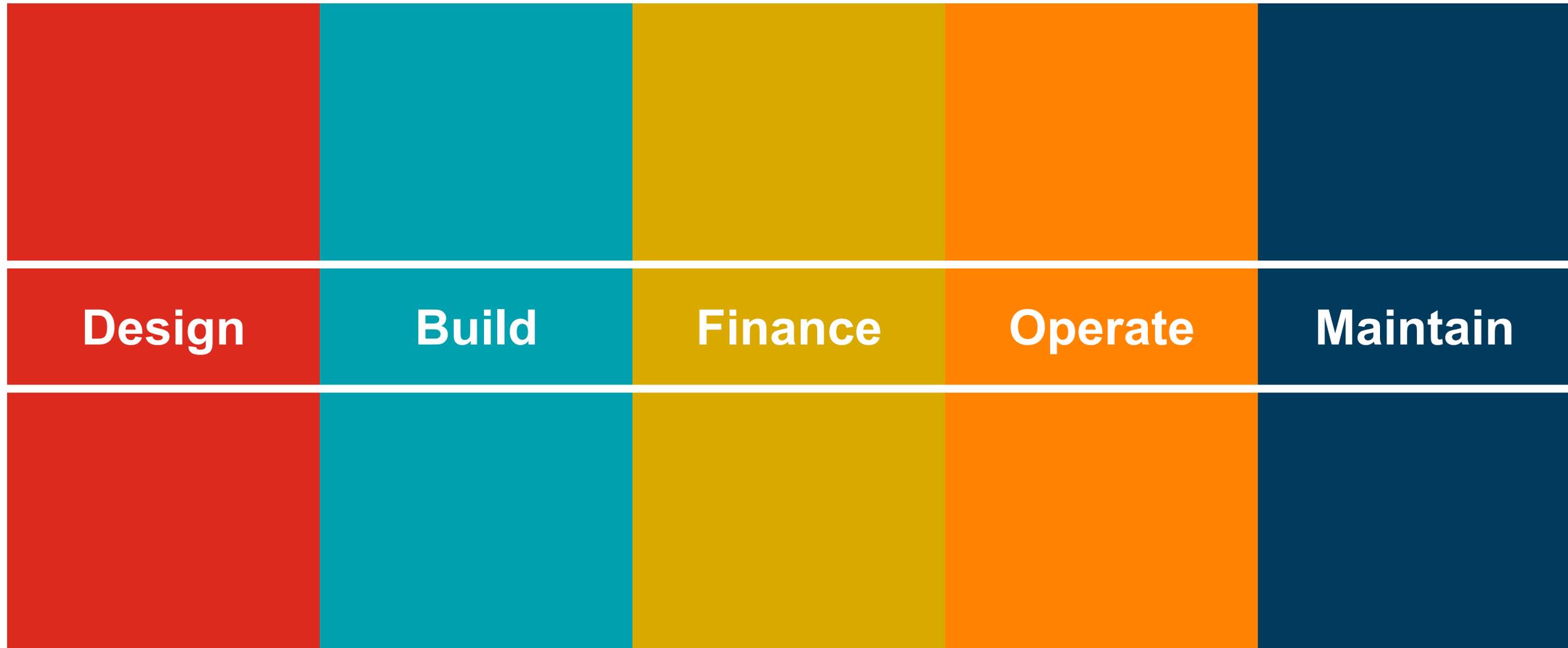
Mixed-Use Projects (Retail)
Campus Edge projects



Energy & Sustainability
Waste/Recycling Services

What is a P3?

OVERVIEW



Why P3?

REASONS TO DO A P3... OR NOT

REASONS FOR A UNIVERSITY TO DO A P3

- › Limited debt capacity or an inability to finance
- › Avoiding cumbersome procurement structures
- › Faster delivery (Time = Money)
- › Ability to consider a range of construction standards
- › Development expertise
- › Land assemblage
- › Management and operating expertise
- › Financial return (ground lease revenue, net cash flow participation)
- › Risk transfer (initial costs, budget, financing and schedule)

REASONS FOR A UNIVERSITY NOT TO DO A P3

- › Cheaper Cost of Capital
- › Better access to the capital markets
- › Additional Project Costs
- › Concerned about Control
- › In House Development Expertise
- › In House Management Expertise
- › University Owns the Land
- › Few University/State Construction Standards
- › No Procurement Concerns
- › Impact on Existing Housing Operation
- › Off Balance Sheet, but still on credit

Why P3?

THE REAL DRIVERS

Many challenges facing higher education, P3s represent **one option** to deal with these challenges



Tuition
increases



Burden to
student rising



State funding
diminishing



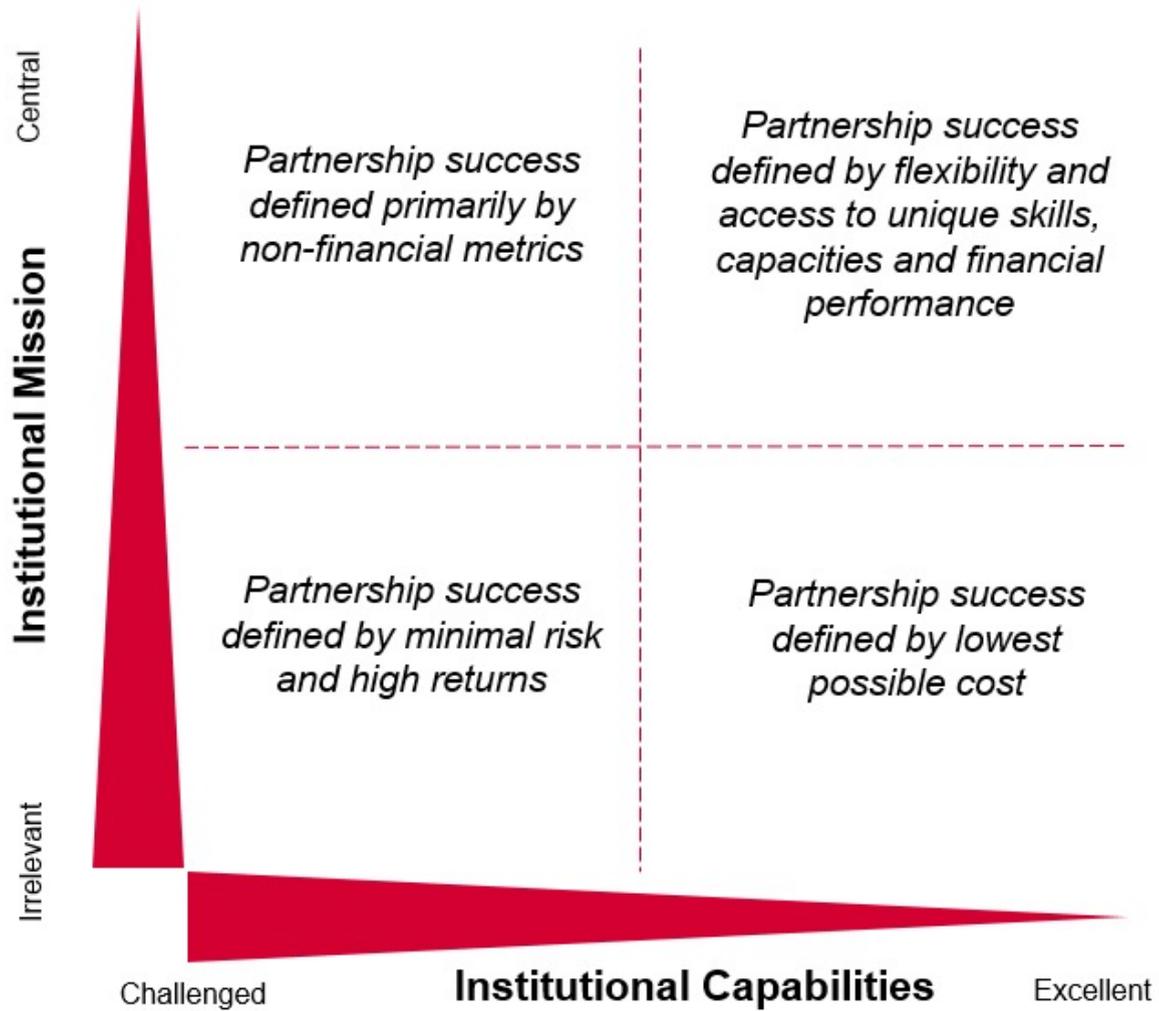
Declining high
school graduates &
demographic shifts



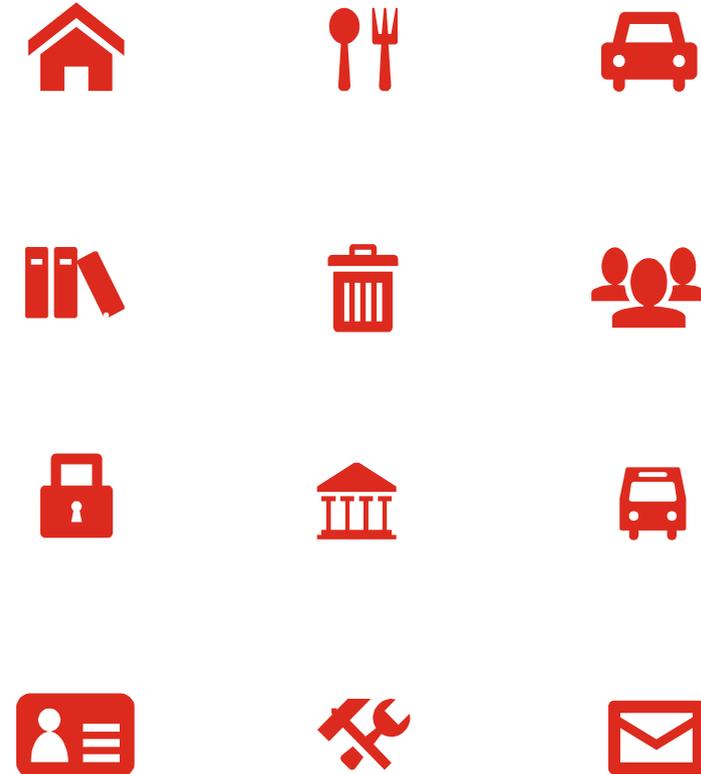
Increased deferred
maintenance &
operational costs

Why P3?

ALIGNMENT OF VALUES & COMPETENCIES



This theory applies to all campus assets – not just housing

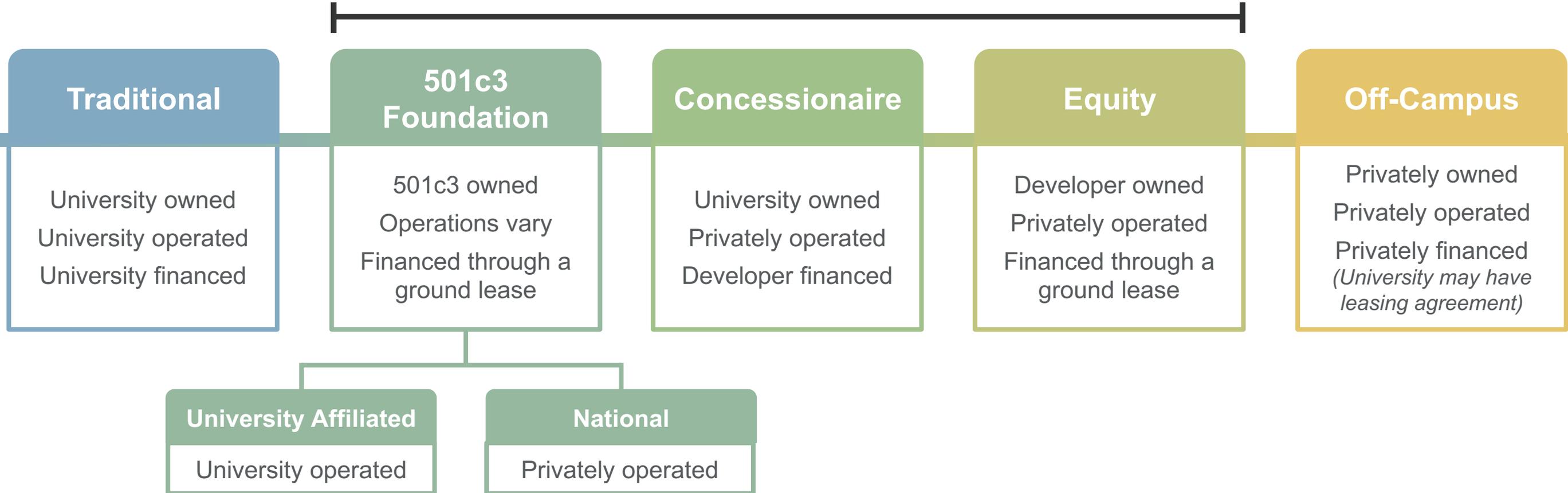


What types of P3s are available?

DEAL STRUCTURES

There is no “one size fits all”—B&D will assist the owner in choosing the most optimal delivery model

PUBLIC-PRIVATE PARTNERSHIPS



P3 Landscape

NUMBER & SIZE OF DEALS

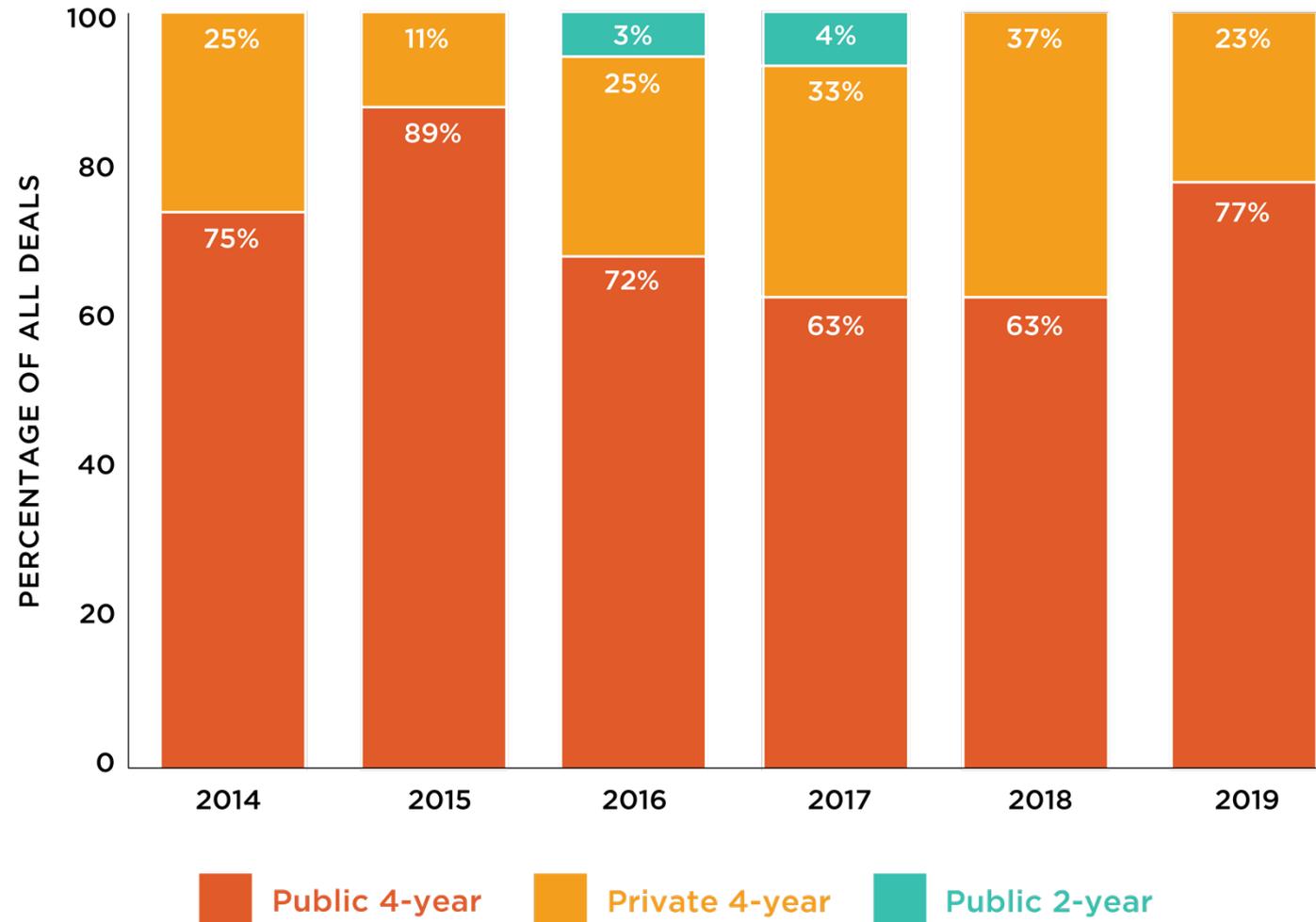
Number of Housing P3s and Average Closing Value, by Year



P3 Landscape

DEALS BY INSTITUTION

Housing P3s by Institution Type, by Year



02

How will COVID impact P3s?



COVID Impact

NEGATIVE PRESS

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THE CHRONICLE OF HIGHER EDUCATION

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CAMPUS HOUSING

How Covid-19 Exposed the Cracks in a Public-Private Housing Deal

By Scott Carlson | SEPTEMBER 3, 2020



ANDRÉ CHUNG FOR THE CHRONICLE

Mallorie Hunt, a sophomore at Towson U., is caught between the university and the private company that runs her dorm. The company is not releasing students from their housing contracts even though Towson has gone online because of Covid-19.

TOP JOBS from The Chronicle

- Faculty Professor Webinar Presenter and CE Course Content Writer
Webinarclasses
- Assistant Research Professor of Special Education & Multiple Abilities
University of Alabama at Tuscaloosa
- Dean, School of Education
University of North Texas at Dallas
- Director, School of Information Sciences
University of Tennessee-Knoxville
- Director - IU Regional Academic Health Center Simulation Center
Indiana University School of Nursing

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Education

U-Md. students stage protest, continue to fight lease agreements at campus apartments



Gavin Kohn, 21, leads a protest through the University of Maryland's campus in College Park. (Lauren Lumpkin/The Washington Post)

By Lauren Lumpkin
August 16, 2020 at 1:25 p.m. PDT

Gavin Kohn, 21, signed his lease to live in the Courtyards, an apartment on the University of Maryland's campus in College Park, in February. The novel coronavirus, at that point, had arrived in the United States, but the then-junior didn't know it would upend the school year.

But as the virus raged on, it became clear his senior year was also in jeopardy. The university scaled back on-campus housing, announced plans to conduct 80 percent of undergraduate courses online and imposed coronavirus testing requirements. Kohn, and about 500 other students who had planned to live in the Courtyards and its sister property, South Campus Commons, started to feel wary about living in groups.

But, bound by their leases, they may be forced to do it, anyway.

COVID Impact

OBSERVATION 1

**On the familiar negative outlook
cast over higher education**



COVID Impact

OBSERVATION 2

On the fight to quality



COVID Impact

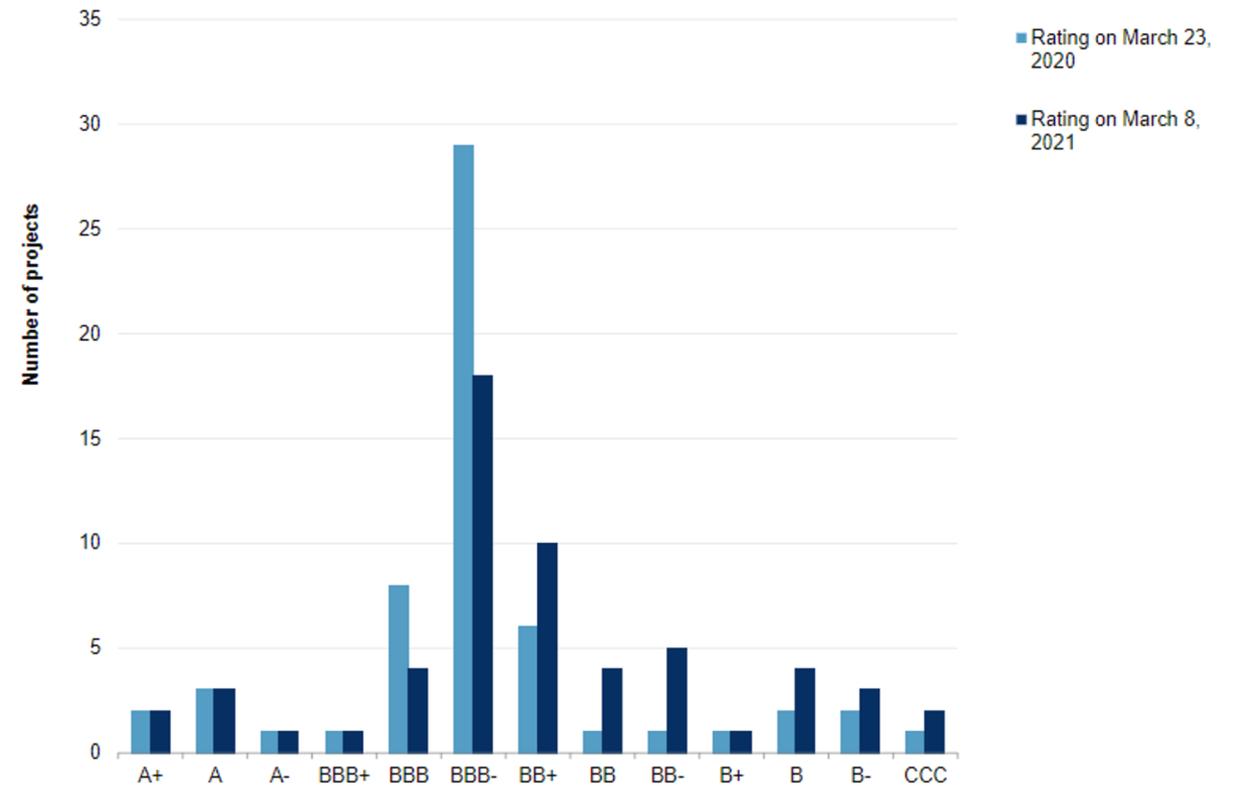
OBSERVATION 3

On the continuing challenges for many 501©3 tax-exempt deals

- › Continued pressures on privatized financing deals; 34% of rated projects downgraded

Chart 1

Privatized Student Housing Rating Distribution



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COVID Impact

OBSERVATION 4

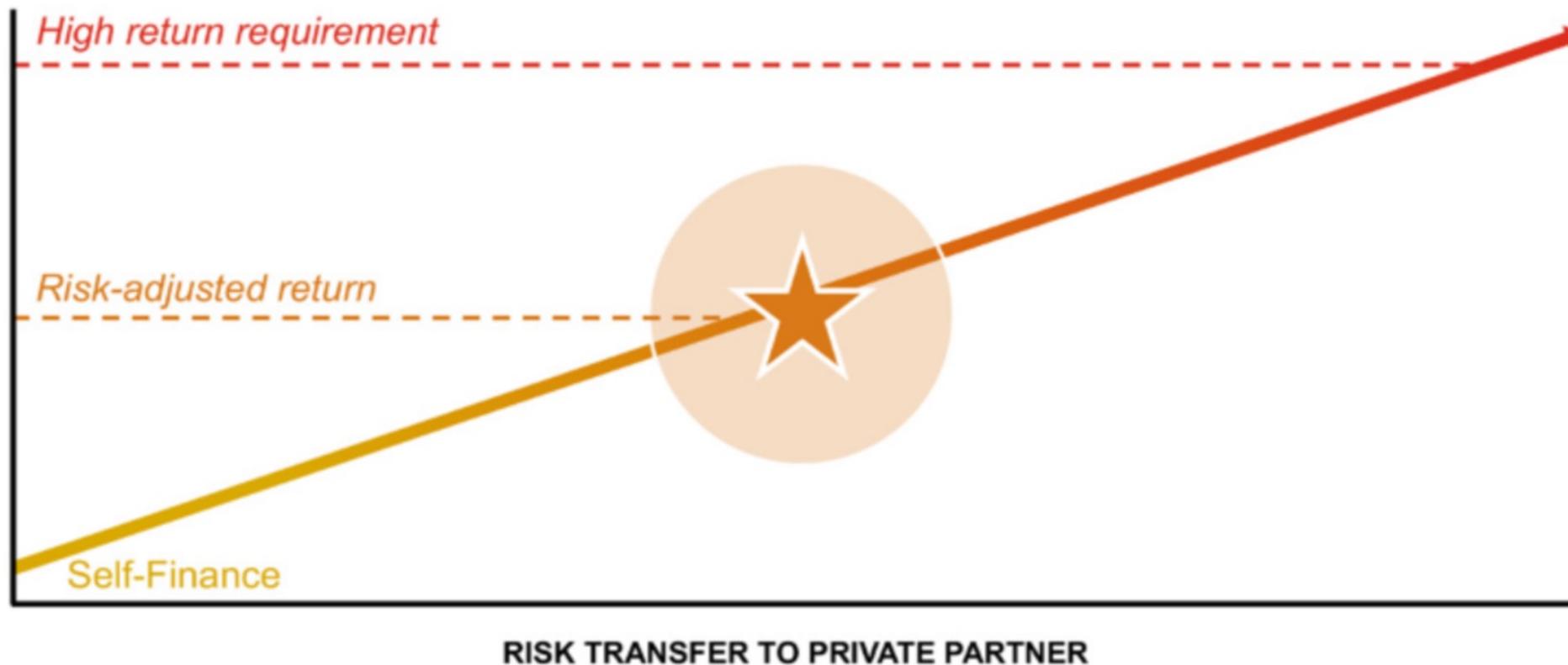
On the still-hungry market



COVID Impact

OBSERVATION 5

On the importance of having a partner in more than name, especially during extraordinary times



KEY INGREDIENTS FOR A SUCCESSFUL P3

Stated Commitment to Strategic Mission

Why are we doing this project?

Project Champion & Key Stakeholder Alignment/Support

Do we have institutional buy-in?

Clear Definition of Project Framework

Is the market/demand supportive of this project?

Organized, Transparent Procurement Process

Is the selection process fair & maximizing interest?

Partnership-Oriented Rather Than Transaction-Focused

Are the risks & returns aligned?

Advisors & Expertise From Initial Stages Through Implementation

Do we have the support / resources needed to ensure it is successful?

03

Perspective from a Housing Director



University of Illinois - Chicago

ACADEMIC & RESIDENTIAL COMPLEX



550

Beds

51K

SF of academic space

1500

SF of retail space

Fall 2019

Opening

How has this project been different than a typical university-delivered/owned project?



What has this project meant for
your job?



Talk about how you and your partner navigated COVID.

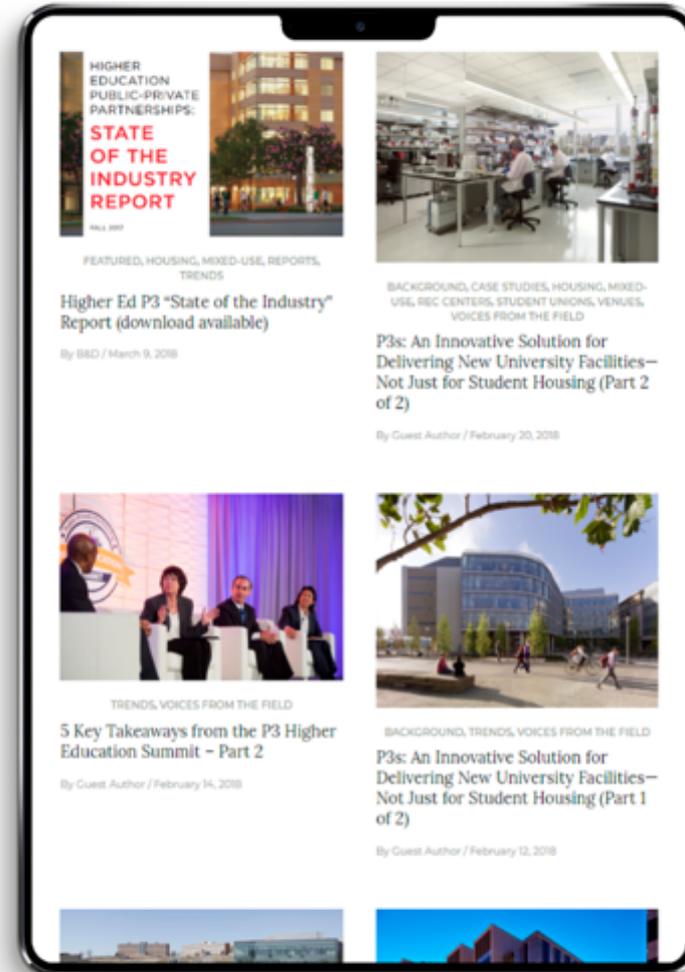
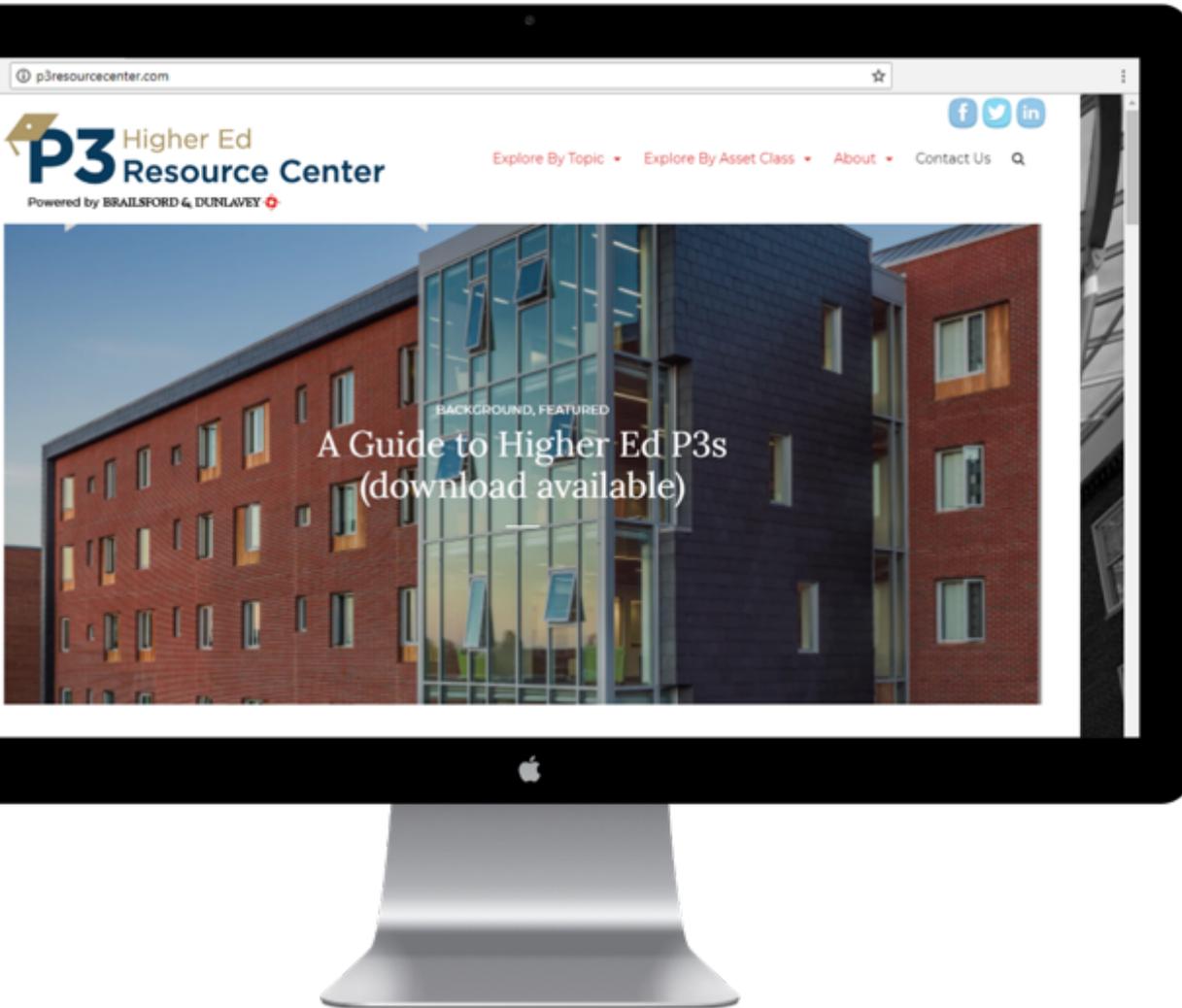


Any advice to other housing professionals navigating P3's?



Public-Private Partnerships

P3 INDUSTRY LEADERS



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A Look Ahead

P3 PIPELINE

8

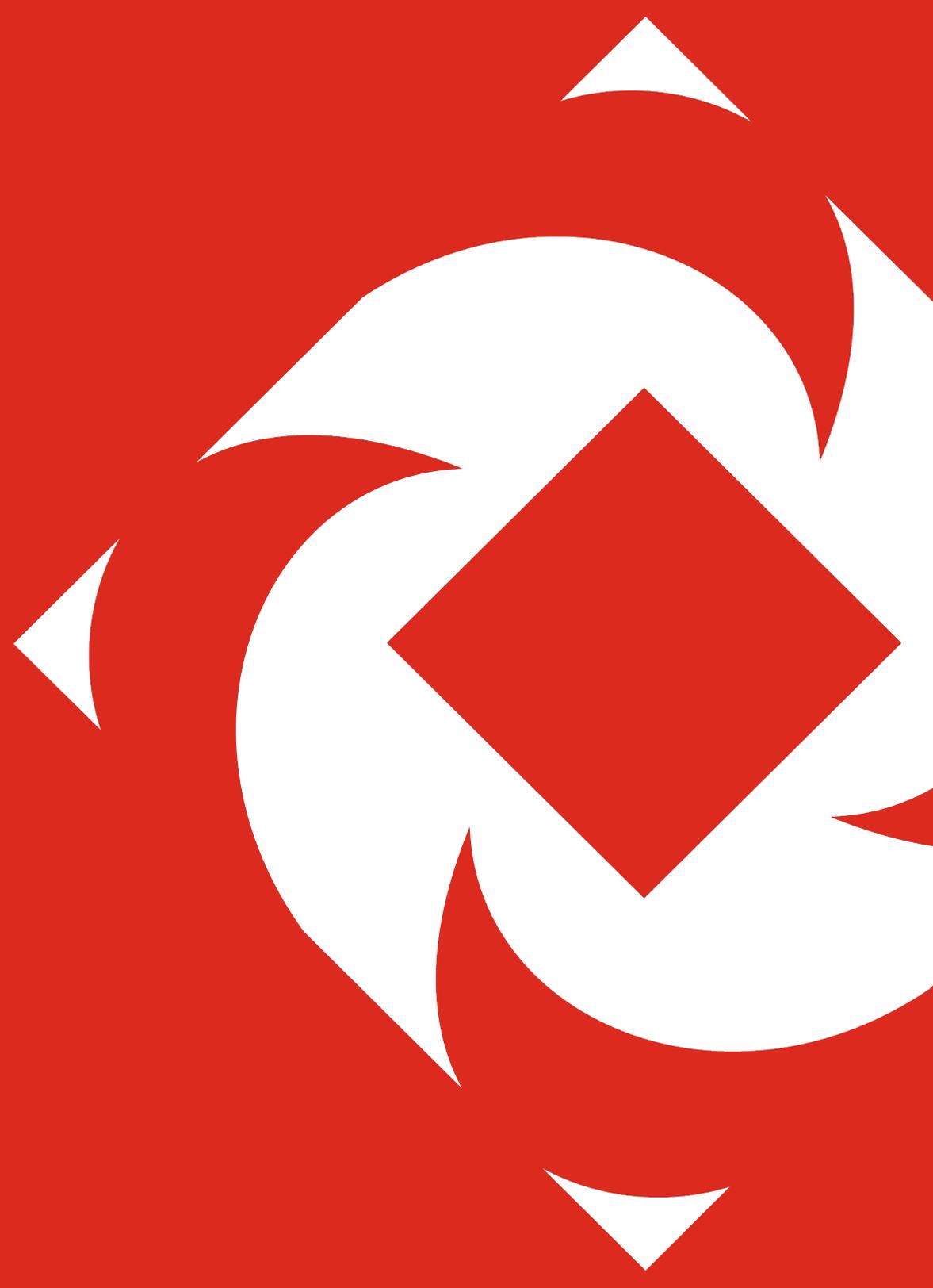
P3 deals in 2020

130+

Deals in the pipeline

Thank you.

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FOR MORE INFORMATION.



A Look Ahead

WHERE ARE WE HEADING



More political involvement and pressure to pursue a P3



Pre-development risks: many projects failing to close



Issues with construction pricing and labor shortages



Developers are being more strategic about which projects/ procurements to respond to



Exploration of other sources of funds (tax credits, USDA, and opportunity zones)



Shared governance continues to grow



Larger, more complex P3 projects (including long term concessions, availability payment models, KPIs)



Bundling of procurements [food, housing (including faculty), academic buildings, hotel, energy, facility maintenance, etc.]

A Look Ahead

DECLINING UNDERGRADUATE ENROLLMENTS

What's the future look like?

