Real Estate Development in Higher Education

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Agenda

- Industry Overview
- About Gilbane/Gilbane Development Profile
- Strategic Real Estate Planning
- Current Market Realities
- Higher Education Projects
Industry Quotes

- **DEAD**
  - "If you're in (commercial) real estate you are either depressed or have nothing to do."
  - "Every level of activity has stopped--debt is worth more than equity, there is no financing available, nobody is doing deals."
  - "It's dead."
  - "I've never seen anything like it."

- GlobeSt.com, May 2009
Real Estate Markets Overview

- Downward Momentum
- Forced Sales/Refinancing
- Overshoot Value
- Financing Remains Costly
- Construction Costs Down
- Inflation Risk

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Well-Capitalized Partner
Gilbane

- Founded in 1873; 136 years of continuous operations
- Family-run, privately-held firm with more than 2,000 employees
- Manages more than $3 billion annually
- Two companies under one umbrella
  - Gilbane Development Company
  - Gilbane Building Company
$10.7 Billion serving Colleges and Universities
- Over 27,800 beds

Gilbane was named the country’s second largest University contractor in the BD+C Giants 300 Survey

Engineering News Record (ENR) Magazine has ranked Gilbane as the #9 Green Builder in the US

ENR has ranked Gilbane the second largest Green Builder of Educational Facilities
- Project development, financing and ownership arm of Gilbane, Inc.
- Integrates the myriad components of the project delivery and ownership structure and guarantees the results
- Experience in finance, alternative transaction structures, tax, public-private partnerships and project management
- Provides customer-focused solutions that reduce costs and maximizes value
Master-Planned Projects

- Chandler, Arizona
Master-Planned Projects

- Baltimore Inner Harbor East
Public/Private Leaseback Projects

Pictured, clockwise from left:
- Loudoun County Government Center – Leesburg, VA
- Texas Department of Transportation – Houston, TX
- Houston Independent School District – Houston, TX
Office Projects

- Pictured, clockwise from left:
  - GTECH – West Greenwich, RI
  - Mellon Client Service Center – Pittsburgh, PA
  - Scitex – Dayton, OH
Repositioning

- Pictured, clockwise from left:
  - Sylvan Business Center – Danvers, MA
  - Innovation Center of Vermont – Burlington, VT
  - Rhode Island School of Design – Providence, RI
### Development Continuum

#### Constants Throughout All Phases:
- Responsiveness
- Flexibility
- Communication
- Risk Assumption
- Community Relations
- Financial Management

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| • Development Controls  
• Site Master Plan  
• Alternative Analysis  
• Identify Site Requirements  
• Geotechnical Analysis  
• Environment Compliance  
• Phasing Analysis  
• Financing Strategy  
• Capital/Development Budget  
• Master Schedule  
• Organizational Controls  
• Schematic Design/Performance Specifications  
• Marketing Plan  | • Conceptual Design  
• Design Development  
• Transaction/Capitalization Agreements  
• Cost Estimating  
• Value Engineering  
• Contracting Process  
• Document Control  
• Contracts Negotiation  
• Professional Agreements  
• Quality Control Program  
• Regulatory Approval Process  
• Selection of Final Site  
• Master Plan  
• Final Phasing  
• Marketing Strategy  | • Construction Documents  
• Project Control System  
• Cost Reports  
• Safety Program  
• Quality Control/Accreditation  
• System Validation  
• Site Management  
• Document Control  
• Project Logistic Plan  
• CPM Schedule  
• FF&E Procurement Plan  
• Sale/Lease Coordinations  
• Commissioning  
• Marketing Implementation  | • Operations & Management  
• Asset Management  
• Financial Reporting  
• Preventative Maintenance  
• Risk Management  
• Emergency Operating Plan  
• Subcontractor/Purchasing  
• Energy Management  
• Quality Control  
• Corrective Maintenance  |
Strategic Program Delivery

**Planning**
- Project objectives
- Market study
- Feasibility study
- Transaction structure

**Advisory**
- Achieve cost savings, higher enrollment, and lasting value
- Due diligence
- Pro forma analyses
- Scope, budget & schedule
- Debt/equity placement

**Development**
- Site master planning
- Programming & design
- Entitlements & approvals
- Organized implementation

**Management**
- Minimize risk through integrated delivery strategies
- Outsource day-to-day tasks
- Maintain strategic control
- Embrace partnering
- Make informed decisions

**Construction**
- Improve efficiency thru 3rd-party skills
- Cost & schedule control
- QA/QC & testing/inspections
- Validation & commissioning
- FF&E and move coordination

Begin with Gilbane, end with quality

Open & frequent communication throughout project
Private Sector Delivery

- Cost (Potential for 10-15% savings)
- Schedule (Facilities are online years earlier than normal procurement process)
- Design
- Project delivery liability – clear accountability
- Innovative thinking (Financing, Design, Delivery)
- Experienced team
- Guaranteed delivery – stipulated sum
- Value for stakeholder
- Limited out-of-pocket expenses prior to project start
Higher Education | Real Estate Development

- Research Parks
- Alternative Energy
- Medical Office | Surgical Suites
- Mixed-Use
- Student Housing
Realities

- Innovative
- Developer Equity/Pre-leasing
- Tool Kit
  - NMTC/HTC
  - BAB
  - HUD Financing
  - ARRA – Alternative Energy Grants
  - Identify and implement a capitalization structure that aligns with objectives
  - Lease/purchase financing
  - Creative/Innovative Thinking
Higher Education Projects

- Completed Real Estate Projects for Higher Education Institutions:
  - RISD
  - Centenary College
  - Garrett College

- Assignments/Ongoing Pursuits:
  - Bio/Life Sciences
  - Undergraduate Housing
  - Graduate Housing
  - Solar PV Installations
Scope ("operating lease with purchase option"):  
- 1031 exchange of Fairfax, VA asset  
- Acquisition of B of A assets:  
  - 1912 – 12 stories, 350,000 SF (historic)  
  - 1973 – 28 stories, 370,000 SF  
  - Common lobby & HVAC/sprinkler systems  
- Adaptive reuse of 1912 building for RISD:  
  - Retire 100-year ground lease  
  - Integrate shared access/utility easements  
  - Consolidate office uses into 1973 building  
  - Create living-learning center:  
    - Library & museum: Floors 1 & 2  
    - Student housing: Floors 3 thru 11  
    - Future Student union (food service): Floor 12  
  - 20-year operating lease (options to 50 years)  
  - Distinct windows for purchase options:  
    - Converted taxable to tax-exempt debt
Scope ("design / build / furnish / interim finance"):  
- A two building 252 bed apartment-style residence hall complex (Bennett-Smith Hall & Founders Hall)  
- 44,000 SF renovated/expanded recreation center (Reeves Center)  
- Significant off-campus road/park infrastructure (development proffers)  
- 439 parking spaces (4,000 LF of 4’ diameter underground storm water detention)  
- Real estate consulting services in negotiating conditional permitted use ordinance  
- Predevelopment phase services for 70,000 SF student center & 26,000 SF “virtual lab”
Scope (“design / build / furnish / finance”):
- Development feasibility study (dovetailed with findings of market study)
- 126-bed apartment-style residence hall (Laker Hall)
- 100 on-campus parking spaces
- Co-developer agreements regarding off-campus sewer and water extensions to site
- Ground lease from College to 501(c)(3) Foundation and building lease vice-versa
- Tax-exempt debt issued by M&T Bank through Maryland Economic Development Corp.
Undergraduate Housing

- 480 Beds
- Amenities: Fitness Center, Courtyard, Activity Center
- On site parking
- Resident Life Manager
Undergraduate Housing

- Off campus – Land will be purchased by Gilbane
- Traditional Bank Financing
  - LTV 70%
  - Equity 30% (~$8.5m)
- Considerations
  - Market
    - Rents
    - Amenities
    - Unit Configuration
  - University Affiliations (Formal/Informal)
Graduate Housing

- Graduate Studios (Mix)
- Ground Floor Retail
- Classroom/Academic Space
Graduate Housing - Financing

- Revenue Bond Structure
  - Credit Enhancement
  - Private Placement
  - Debt Service Coverage Ratio

- University Equity

- Developer Equity

- HUD Financing
  - Unit Mix (Studio/One Bedroom/Two Bedrooms)
  - Underwritten to Market (Vacancy/Rents)
  - Market (Not restricted to Students)

- Traditional Debt/Equity
University Host

Multi-Phase PV Installation
- 1<sup>st</sup> – 2 mega watts (2010)
- 2<sup>nd</sup> – 2 mega watts
- 3<sup>rd</sup> – up to 5 additional mega watts

Phase 1
- 1 mega watt ground mount (single axis)
- 1 mega watt roof mount (fixed)
  - Includes 200Kw of garage mounted
- University/PPA
  - Power Purchase Agreement
Project Underwritten by:
- Grants in Lieu of tax credits [ARRA Section1603]
- Renewable Energy Credits [SREC]
- Tax Depreciation Investor
- Developer/Investor Equity
- Project Debt

Considerations:
- Renewable Energy Credit Market
- Power Rates
- Real Estate Usage
- State Incentives/Portfolio Standards
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