

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 10 – K

DATE: June 27-29, 2017

SUBJECT: SDSU South University Neighborhood Redevelopment – Preliminary Facility Statement

South Dakota State University requests approval of its Preliminary Facility Statement to begin planning for the construction of an apartment-style facility for the southern part of the SDSU campus. The SDSU Residential Life and Dining Services Master Plan (2011-2018) consisted of three phases. This facility would be included in Phase III of the Master Plan. Phases I and II included the completed construction of the Jackrabbit Village and Jackrabbit Grove projects.

Initially, SDSU pursued this project through a public/private partnership to finance, construct, and operate an apartment complex to satisfy projected housing needs. Through the RFP process, SDSU chose a development firm that provided its best and final offer, which SDSU declined as the process was not in the best interest of the university’s students.

SDSU took part in two studies conducted by Robert Charles Less and Company (RCLO). The December 2015 study, the *South Edge Parcel Development Opportunity Analysis*, along with the May 2017 study, *Student Housing Market Analysis and Consumer Research*, confirmed the demand for the apartment-style facility for upper-division undergraduate, graduate, transfer and family student housing students located on or near campus.

The complex will house approximately 200 to 220 students with potential additional phases depending on the demand from students and financing conditions. A mix of one, two, three and four bedroom apartment units would be included in the facility. The number of each style of unit would be determined during the project’s program and design phases.

The project site being proposed is located south of 8th Street on the existing site of the State Court and apartments. The SDSU Foundation is currently acquiring additional property along 7th Street to the south of the State Court site. These locations remain the same from the former public-private redevelopment plan.

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DRAFT MOTION 20170627_10-K: I move to approve SDSU’s Preliminary Facility Statement to plan for the construction of an apartment-style facility in the south SDSU neighborhood with the expectation that the facility be self-financing including the 2% maintenance and repair requirement, and that a building committee representative be appointed to oversee this project.

The proposed planning and schematic design costs would be funded by existing student rent revenues of approximately \$200,000. The continued full design and construction would be funded through the sale of revenue bonds debt serviced from the new facility student rent revenues.

Additional details of this proposed project can be found in SDSU's attached Preliminary Facility Statement document. If approved, a building committee representative should be appointed to oversee the project's development. SDSU can then proceed with the development of its Facility Program Plan.

There is a related issue that the Board should be aware of before approving this item. The Board approved a policy change in April 2013 that required that the campuses invest a minimum of 2% into maintenance and repair for residential facilities. The last time we did this calculation, SDSU fell well short of the goal. This means that SDSU does not invest the necessary funds needed to adequately maintain their residential facilities. Recognizing the importance of maintaining facilities, SDSU recently requested and received a \$4.24 per credit hour GAF increase to move the student union and the wellness center to 2%. Adding additional properties into the residential life system without providing maintenance and repair funding exacerbates the problem. If the new facility generates sufficient dollars to cash flow the debt and supports the 2% maintenance and repair requirement it will not be a concern. SDSU needs to address their plan on how they will meet the 2% M&R requirement for the residential system as part of the program plan for the new facility.

PRELIMINARY FACILITY STATEMENT
FOR
SOUTH UNIVERSITY NEIGHBORHOOD REDEVELOPMENT
SOUTH DAKOTA STATE UNIVERSITY

SDSU requests approval of this Preliminary Facility Statement to form a building committee, select an architectural engineering team, and complete schematic planning and design for new campus apartment-style housing for upper division undergraduate (juniors/seniors) and graduate students.

1. General Programmatic Needs to be Addressed:

The updated Residential Life and Dining Services Master Plan (2011 – 2018), presented to the Board of Regents in March 2011, consists of three phases. Phases I and II are essentially complete and resulted in the construction of the seven residence halls comprising Jackrabbit Village and Jackrabbit Grove. The remaining substantial project articulated in the Master Plan is construction of an apartment-style facility in an upper-division neighborhood.

SDSU initially pursued completion of this remaining project through a public/private partnership (P3) that would finance, construct, and operate an apartment complex to satisfy the projected housing needs. Potential private partners were solicited through an RFP process. From the firms that submitted a plan, one was chosen for further negotiations and design plan refinement. The best and final offer of the developing firm was considered and ultimately declined, as not being in the best interest of the students or the University. SDSU now plans to develop housing through issuance of revenue bonds that would fund construction of an apartment complex.

Previous studies indicated a demand for an apartment facility for upper-division, transfer, and graduate students, located on-campus and different from options available in the Brookings rental market. The *South Edge Parcel Development Opportunity Analysis*, by Robert Charles Less and Company (RCLCO) (December 2015) affirmed this demand. A more recent rental market analysis, *Student Housing Market Analysis and Consumer Research*, by RCLCO (May 2017) confirms the demand for this type of housing continues to persist. This apartment-style housing option will improve the University's ability to attract and retain upper-division students particularly graduate students necessary to support the University's research endeavors within housing provided through the University.

2. Analysis of the Student Body or Constituents to be Served:

The May 2017 RCLCO market analysis concludes that, “There is strong, unmet demand for affordable, apartment-style housing units that are on or adjacent to SDSU’s campus.” Data gathering methods used in making this conclusion include:

- Electronic surveys (1,337 responses) to determine unit features and preferred price points.
- In-person focus groups with more than 40 students participating, to confirm electronic survey findings.
- Comparative analysis with ten “top-of-market” properties in Brookings representing more than 1,000 rental beds in the Brookings rental market.

The RCLCO analysis assesses factors of rental cost, program mix, amenities, and student preferences. The analysis also pointed toward an unmet need for graduate student housing and housing for students with families. The RCLCO report recommends a program mix for housing that focuses on the upper-division and graduate student housing. This analysis will continue to guide follow-on work such as building siting, unit configuration, apartment amenities, price points and other support spaces that will be developed through on-going design work.

3. Additional Services to be Provided:

The apartment complex housing approximately 200-220 students will be developed, with potential follow-on phases depending on demand from students and financing conditions. A mix of one-, two-, three- and four-bedroom apartment units would be provided. The precise configuration of the unit mix will be determined as the design and cost estimates of the project are developed.

SDSU anticipates that the complex may include space for student support services such as food service, child care, and administrative services. The quantity of space devoted to these functions and tenants will be determined as the project is programmed and designed.

Amenities that will be considered in the course of programming the project will include off street parking, laundry (central or per unit), computer networking, multipurpose lounge, and outdoor community area(s).

4. Compliance with Campus Master Plan:

The project is consistent with the goals and intent of the updated Residential Life and Dining Services Master Plan (2011-2018), the University’s 2015 Design & Master Plan, and the 2015 Student Success Plan.

5. Analysis of Needs Assessment Based on the Facilities Utilization Report:

The Student Housing Market Analysis and Consumer Research, (RCLCO May 2017), indicates an unmet demand for upper-division undergraduate, graduate, and family student housing on or proximate to SDSU's campus. The analysis indicates a persistent market segment giving SDSU an opportunity to retain a greater share of upper-division or graduate students within campus housing by investing in housing that responds to these student's needs and preferences. The unmet demand, or apartment housing gap as described by the study, and site proximity at the edge of the campus provide an excellent opportunity for the development of this necessary housing.

6. Location:

The project will be located south of 8th Street on the existing site of the State Court and apartments. Additional property along 7th street, located south of the State Court site, is being acquired by the SDSU Foundation. This site is the same as was considered for earlier public-private redevelopment plan.

7. Reallocation of Old Space if Any:

The existing State Court (1959 masonry construction) would be razed to prepare the site for development.

8. Proposed Funding Sources:

The programming and schematic design would be funded through revenues generated from rents charged to current residential students. The continued full design and construction would be funded through the sale of revenue bonds to be paid from student rent revenues derived from the facility to be constructed.

9. Budget for Development of a Facility Program Plan

SDSU estimates that programming, site/utility planning, schematic design, and estimates of the project costs will be approximately \$200,000.