

**UNIVERSITY OF HOUSTON SYSTEM
SPECIAL CALLED
BOARD OF REGENTS MEETING
Wednesday, December 2, 2009**

AGENDA

UNIVERSITY OF HOUSTON SYSTEM SPECIAL CALLED BOARD OF REGENTS MEETING

DATE: Wednesday, December 2, 2009

TIME: 11:00 a.m.

PLACE: University of Houston
Board of Regents Office
Board Room 128, Ezekiel Cullen Building
4800 Calhoun
Houston, Texas 77204

Chair: Welcome W. Wilson, Sr.

Vice Chair: Jim P. Wise

Secretary: Nelda Luce Blair

I. Special Called Board of Regents Meeting

- A. Call to Order

II. Executive Session

- A. Section 551.071 – Consultation with System Attorneys
- B. Section 551.072 – Deliberations Concerning Purchase, Lease or Value of Real Property
- C. Section 551.073 – Deliberations about Negotiated Contracts for Prospective Gifts or Donations
- D. Section 551.074 – Personnel Matters, Including Appointment, Evaluation or Dismissal of Personnel

III. Report and Action from Executive Session

IV. Recess for Finance and Administration Committee Meeting

(at the close of discussion and action on the committee agenda, the committee will be automatically adjourned and the Board reconvened to receive and act on the report of the committee chairman)

V. Finance and Administration Committee Meeting

Chair: Jim P. Wise

Vice Chair: Carroll Robertson Ray

Members: Nandita V. Berry
Welcome W. Wilson, Sr., Ex Officio

A. Call to Order

B. Re-approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$9 million related to the purchase of a hotel and renovations for use as a residence hall and academic support space and for other University functions by the University of Houston-Victoria – UH-Victoria F&A - 1

Action: Approval

VI. Reconvene Board of Regents Meeting

A. Board Approval of Finance and Administration Committee Report

VII. Adjourn



**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS**

FINANCE & ADMINISTRATION

AGENDA ITEM(S)

FOR

DECEMBER 2, 2009

**SPECIAL CALLED
BOARD OF REGENTS MEETING**

**UNIVERSITY OF HOUSTON SYSTEM
BOARD OF REGENTS AGENDA**

COMMITTEE: Finance and Administration

ITEM: Re-approval is requested to delegate authority to the Chancellor to negotiate and execute contracts up to \$9 million related to the purchase of a hotel and renovations for use as a residence hall and academic support space and for other University functions by the University of Houston-Victoria.

DATE PREVIOUSLY SUBMITTED:

SUMMARY:

Approval is requested to delegate the authority to the Chancellor to negotiate and execute contracts up to \$9 million related to the purchase of a hotel and renovation for use as a residence hall and academic support space by the University of Houston-Victoria. This is a revised budget reflecting the results of our due diligence on the condition of the property.

FISCAL NOTE: Bond Funding and HEAF

SUPPORTING DOCUMENTATION: Project Overview
Project Budget and Schedule

ACTION REQUESTED: Approval


COMPONENT: University of Houston-Victoria

PRESIDENT  Tim Hudson

DATE 11/20/09

EXECUTIVE VICE CHANCELLOR  Carl Carlucci

DATE 11/24/09

CHANCELLOR  Renu Khator

DATE 11/24/09

University of Houston - Victoria

Student Housing Project

December 2, 2009

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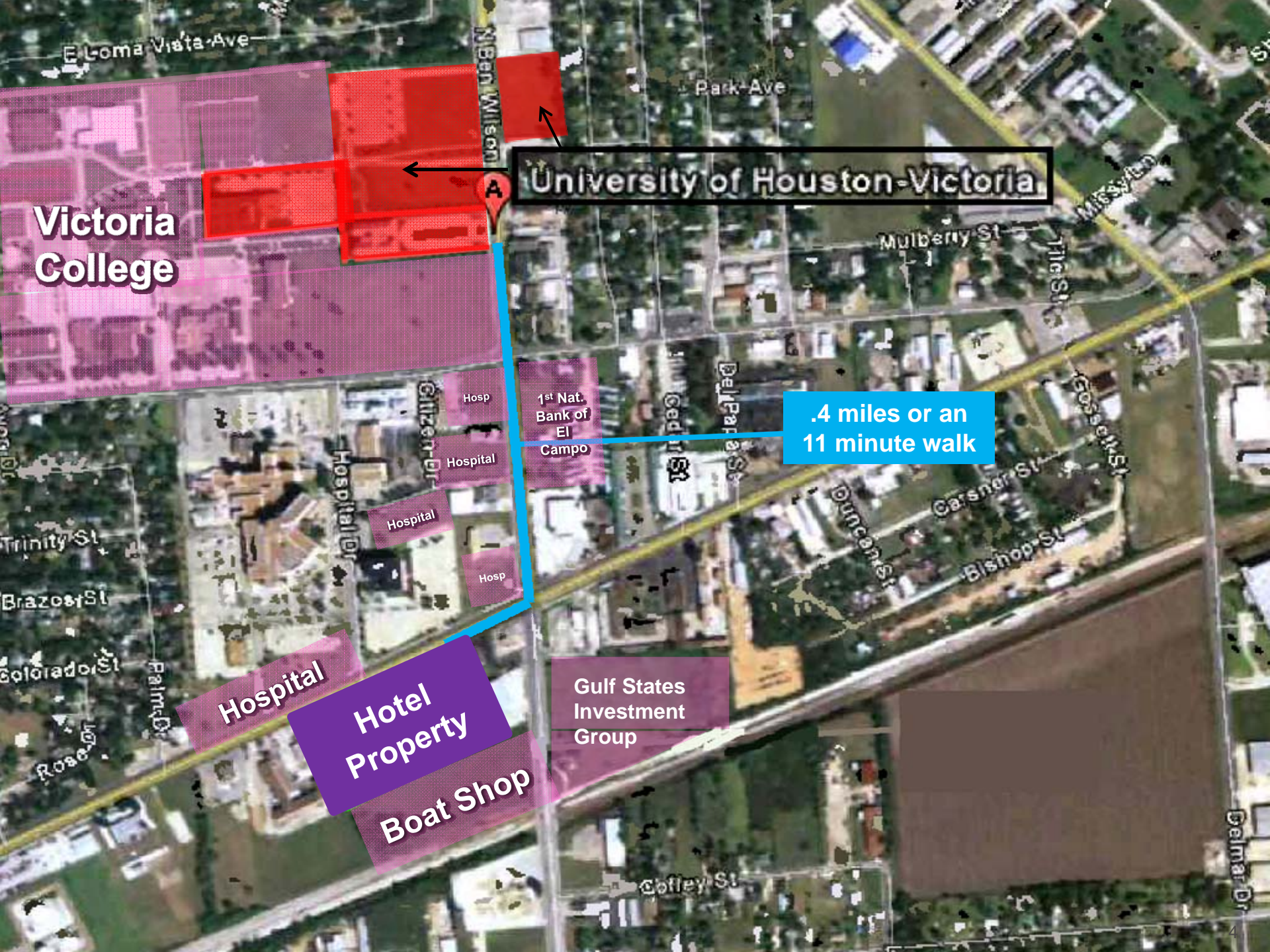
- Current Campus
- Proposed Residence Housing
 - Location and Visual
- Business Plan
- Recruiting
- Tentative Timeline
- Questions



Victoria College Property

Victoria College Property

UHV Campus



Victoria College

University of Houston-Victoria

.4 miles or an 11 minute walk

Hospital

Hotel Property

Boat Shop

1st Nat. Bank of El Campo

Gulf States Investment Group

E Loma Vista Ave

Park Ave

Mulberry St

Mission St

Cossett St

Carsner St

Bishop St

Del Paso St

Ced 1st St

Citizen Dr

Hospital Dr

Trinity St

Brazos St

Colorado St

Palm Dr

Rose Dr

Coffey St

Delmar Dr







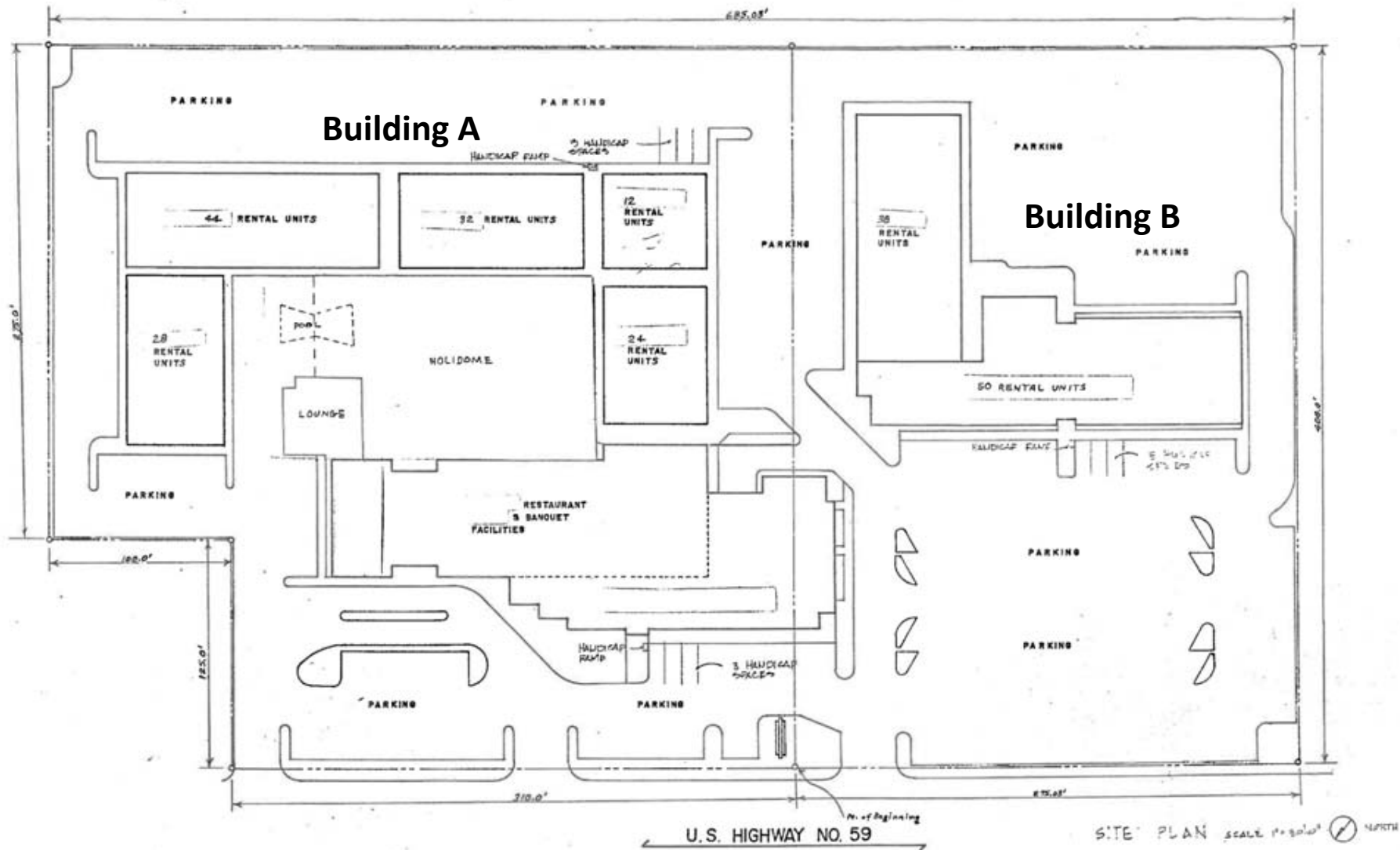












NOTE: ALL HANDICAP RAMP(S) SHALL BE 4'-0" W.C.B. CONC. W/ NON SLIP FINISH & MAX 1:12 SLOPE.

| | |
|--|--------------|
| HOLIDAY INN ADDITIONS & UPGRADING VICTORIA, TEXAS M & D ENTERPRISES, INC. VICTORIA, TEXAS | |
| DATE 5-27-85 DRAWN BY D.G. WARREN | SHEET 1 OF 1 |

| Room Availability | Building A | Building B | Total |
|--|------------|------------|----------------|
| <u>Year 1 of Occupancy</u> | | | |
| Single occupancy/Number of students | 52/52 | 0/0 | 52/52 |
| Double occupancy/Number of students | 52/104 | 0/0 | 52/104 |
| Total | 104/156 | 0/0 | 104/156 |
| % of max # of students | | | 38% |
| <u>Year 2 of Occupancy</u> | | | |
| Single occupancy/Number of students | 52/52 | 0/0 | 52/52 |
| Double occupancy/Number of students | 73/146 | 38/76 | 111/222 |
| Total | 125/198 | 38/76 | 163/274 |
| % of max # of students | | | 66% |
| <u>Year 3 of Occupancy</u> | | | |
| Single occupancy/Number of students | 52/52 | 0/0 | 52/52 |
| Double occupancy/Number of students | 73/146 | 56/112 | 129/258 |
| Total | 125/198 | 56/112 | 181/310 |
| % of max # of students | | | 75% |
| <u>Maximum Capacity for Facility</u> | | | |
| Total number of rooms | 140 | 88 | 228 |
| Rooms used for residential housing support | (15) | (5) | (20) |
| Total rentable rooms | 125 | 83 | 208 |
| Max Number of Rooms/Students | | | 208/416 |

Residential Services

- Welcome and information center
- Academic tutoring and advising
- Computer lab with technical support
- Group and individual study areas
- Peer-to-peer mentoring
- Social engagement/networking activities
- Full dining services
- Fitness facility
- Internet, cable, utilities

Importance of Residential Housing

- Parents state they prefer their son/daughter live in university housing; residential housing availability will be one deciding factor
- Increased engagement with peers, faculty, and the institution
- More personal growth and development
- Campus involvement and sense of community
- Safe and secure environment
- Higher satisfaction, persistence and graduation rates
- Closer ties build a stronger alumni base
- A holistic experience

Limited Apartment Options

- 90%* current occupancy in Victoria
- Starting in July 2010, Coleto Creek Power Plant will be adding a second unit:

| Year | New workers in Victoria |
|--|-------------------------|
| 1 st year (July 2010) | 300 |
| 2 nd year | 1,000 |
| 3 rd – 5 th year | 1,500 |

*Data from Woolson Reality

Assessment of Property

| Identified Facility Repairs and Renovations | | | | |
|---|-----------|--|---|--------------------|
| General Property | | | Rooms | |
| Deferred Maintenance | \$162,500 | | Renovate annex bldg corridors | \$45,000 |
| Replace laundry equipment | 88,000 | | Renovate bathrooms | 356,900 |
| Site Work | | | Renovations softgoods/casegoods | 684,000 |
| Parking/sidewalk/landscaping repairs | 32,780 | | Recreation Area | |
| Security fencing and external lighting upgrade | 84,000 | | Pool and spa repairs | 119,000 |
| Building Exterior | | | Replace exercise equipment | 25,000 |
| Façade and balcony repairs | 96,600 | | Mechanical & Electrical | |
| Replace windows and doors | 284,125 | | Replace PTAC units | 250,800 |
| Replace roofs | 450,000 | | Replace HVAC roof units | 150,000 |
| Mold remediation | 54,225 | | Life safety system (fire sprinklers and alarms) | 840,000 |
| Public Areas | | | ADA - Restroom upgrades/miscellaneous | 112,000 |
| Renovate lobby and meeting rooms | 225,000 | | | |
| Renovate restaurant and lounge | 350,000 | | Total | |
| Renovate public restrooms | 143,500 | | | \$4,903,430 |
| New office space for Student Services | 350,000 | | | |
| •Numbers in red represent additional costs beyond hotel to convert to student housing | | | | |

Business Plan

Management of Facility

- Residential Housing Operations: Outsourced
 - Overall management on-site
 - Automated management systems
 - Staffing
 - Facilities maintenance
 - Custodial
 - Business operations
 - Marketing and leasing
 - Residential life and student development
- Dining Operations: Outsourced
 - 7 days a week dining
 - Catering

American Campus Communities

- Currently manages 145 facilities in the U.S.
- 50+ properties in Texas including:
 - Angelo State
 - Lamar
 - Prairie View A&M
 - Sam Houston State
 - Texas A&M International
 - Texas A&M
 - Texas State
 - Texas Tech
 - Univ. of North Texas
 - UT - Dallas
 - UT - San Antonio
 - Weatherford College
 - University of Houston
 - Bayou Oaks
 - Cullen Oaks

Comparable Residential Housing Rates

| School | Room Style | Price for academic year |
|---|----------------------|-------------------------|
| UT - Tyler | DO, with bath | \$4,426 |
| Texas A&M | DO, with bath | \$5,004 |
| University of Houston | DO, 4 share a bath | \$4,224 |
| Texas A&M - Corpus Christi | DO, with bath | \$4,545 |
| Texas State | DO, community bath | \$4,180 |
| Stephen F. Austin | DO, with bath | \$4,090 |
| University of Houston - Victoria | DO, with bath | \$4,000* |

*Comparable local apartment rental rates in Victoria: \$3,940 per student

DO = Double Occupancy

Package Price

| University | Tuition (24 credit hours for Academic Year)* | Residential Housing Rate for Academic Year | Total Tuition and Residential Housing Cost |
|---|---|---|---|
| Texas A&M University | \$7,542 | \$5,004 | \$12,546 |
| University of Houston | \$6,468 | \$4,224 | \$10,692 |
| Texas A&M - Corpus Christi | \$5,238 | \$4,545 | \$9,783 |
| Texas State University | \$5,776 | \$4,180 | \$9,956 |
| University of Houston - Victoria | \$4,236 | \$4,000 | \$8,236 |

*Spring 2009

Bottom Line

Worst Case Projection in Year 1 - American Campus Communities (ACC) Summary

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Revenues | \$878,000 | \$1,467,750 | \$1,695,170 | \$1,842,104 | \$2,032,313 |
| Expenses | 1,318,590 | 1,455,241 | 1,491,942 | 1,525,096 | 1,561,181 |
| Net Operating Income | (\$440,590) | \$12,590 | \$203,228 | \$317,008 | \$471,132 |
| # of Students | 156 | 274 | 310 | 332 | 362 |

Conservative Projection - based on similar Texas institutions (utilizing ACC's revenue and expense projections)

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Total Revenues | \$1,014,000 | \$1,550,150 | \$1,678,210 | \$1,815,900 | \$1,987,330 |
| Total Expenses | 1,325,390 | 1,459,361 | 1,491,094 | 1,523,784 | 1,558,935 |
| Net Operating Income | (\$311,390) | \$90,789 | \$187,116 | \$292,116 | \$428,395 |
| # of Students | 190 | 294 | 306 | 326 | 352 |

Revenue Projection

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------|-----------|-------------|-------------|-------------|-------------|
| | | | | | |
| Single Rate (academic yr): | \$6,000 | \$6,180 | \$6,360 | \$6,551 | \$6,747 |
| Double Rate (academic yr): | \$4,000 | \$4,120 | \$4,240 | \$4,367 | \$4,498 |
| | | | | | |
| <u>Number of Students</u> | | | | | |
| Single Occupancy | 52 | 52 | 52 | 52 | 52 |
| Double Occupancy | 104 | 222 | 258 | 280 | 310 |
| Total | 156 | 274 | 310 | 332 | 362 |
| | | | | | |
| Academic Annual Revenue | \$728,000 | \$1,236,000 | \$1,424,640 | \$1,563,458 | \$1,745,308 |
| Summer Revenue | 150,000 | 231,750 | 270,530 | 278,646 | 287,005 |
| Total Revenue | \$878,000 | \$1,467,750 | \$1,695,170 | \$1,842,104 | \$2,032,313 |

Revenue Projections from American Campus Communities

Expense Projections

| Expenses | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|--|-------------|-------------|-------------|-------------|-------------|
| Payroll | | | | | |
| General Manager/Director of Housing | 40,000 | 41,200 | 42,436 | 43,709 | 45,020 |
| Resident Director | 20,000 | 20,600 | 21,218 | 21,855 | 22,510 |
| Bookkeeper | 25,000 | 25,750 | 26,523 | 27,319 | 28,138 |
| Receptionist | 18,720 | 19,282 | 19,860 | 20,456 | 21,069 |
| Resident Assistants | 9,600 | 9,888 | 10,185 | 10,491 | 10,805 |
| Maintenance Supervisor | 37,500 | 38,625 | 39,784 | 40,978 | 42,207 |
| Maintenance Technician | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| Housekeeper/Porter (2) | 37,440 | 38,563 | 39,720 | 40,912 | 42,139 |
| Payroll Benefits @ 22% | 48,017 | 49,458 | 50,941 | 52,469 | 54,043 |
| Total Payroll | 266,277 | 274,266 | 282,494 | 290,971 | 299,696 |
| | | | | | |
| Maintenance | 63,000 | 64,890 | 66,837 | 68,842 | 70,907 |
| Marketing | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| Utilities | 300,000 | 400,000 | 412,000 | 424,360 | 437,091 |
| General & Administrative | 30,000 | 30,900 | 31,827 | 32,782 | 33,765 |
| Security | 65,700 | 67,671 | 69,701 | 71,792 | 73,946 |
| Insurance | 38,500 | 39,655 | 40,845 | 42,070 | 43,332 |
| Management Fee @ 5% of Revenue | 43,900 | 73,388 | 84,759 | 92,105 | 101,616 |
| Yearly Bond Payment @ 4.25% for 20 yrs | 547,000 | 547,000 | 547,000 | 547,000 | 547,000 |
| Less Expenses Funded with E&G | (65,787) | (73,429) | (75,348) | (77,608) | (79,937) |
| Total Expenses | \$1,318,590 | \$1,455,241 | \$1,491,942 | \$1,525,096 | \$1,561,181 |

Funding

| Source | Amount |
|--|--------------------|
| Revenue Bonds (Purchase, repair, and renovation costs) | \$7,000,000 |
| HEAF (Allocated to E&G portion of facility) | 750,000 |
| Capital Improvements from housing rental over 10 years (Deferred repairs and renovation projection) | 900,000 |
| Capital investment by dining service company | 350,000 |
| Total | \$9,000,000 |

Price Break Down

| Purchase Price ((\$2.7 million selling price + \$.2 million in fees) | \$2,900,000 |
|---|-------------|
| Furniture Cost | 400,000 |
| Professional Fees/Contingency | 796,570 |
| Repair and renovation costs | 4,903,430* |
| Total | \$9,000,000 |

Current repair and renovation costs: \$3,653,430
 Dining renovation: 350,000
 Deferred repair and renovation costs: 900,000
 Total \$4,903,430*

Plan Comparison

| | Initial Plan - \$5 million | Revised Plan - \$9 million |
|---|----------------------------|----------------------------|
| Revenue Bond | \$4,250,000 | \$7,000,000 |
| HEAF Utilized | 750,000 | 750,000 |
| Capital Improvements | - | 900,000 |
| Capital Investment – Dining service company | - | 350,000 |
| Total | \$5,000,000 | \$9,000,000 |
| <i>Annual Debt Service Amount</i> | <i>\$341,000</i> | <i>\$547,000</i> |

| Specific Differences | |
|--|-------------|
| Additional Due Diligence discovered by buyer | \$2,750,000 |
| 6 Year Deferred Maintenance Projection | 900,000 |
| Dining Service Renovation Costs | 350,000 |
| Total | \$4,000,000 |

Costs Compared to New Construction

| Cost Per Bed Comparison | |
|--|-----------------|
| Cost per bed: | \$19,750 |
| Comparable cost per bed (Wheeler at UH): | \$42,662 |

| Construction Comparison | |
|---|--------------|
| Cost per gsf after repairs and renovation: | \$64 |
| Comparable cost per gsf – new construction (TJC): | \$225 |

Purchase price per gross square feet (gsf): \$19

Recruiting

Recruiting Efforts

- Since October, recruiting in
 - San Antonio
 - Houston
 - Corpus Christi area
 - Costal Bend area (outside Victoria College service area)
 - The Valley
- Have conducted
 - 120 recruiting visits to schools
 - 48 college fair recruiting network events
 - 5 tours and campus visits for prospective students and parents
 - 2 counselor campus visits
 - *1356 contacts in the database as of Nov. 30th* (Contacts are students who visited with recruiters and completed contact cards)
 - *89 applications received since applications opened on Nov. 16th!* (According to THECB 50.8% of applicants enroll)

Early Recruitment Feedback

- Counselor from Cy-Ridge high school commented that our 190 target is too low
- Counselor from Cypress Springs high school said their demographic matches ours—value, scholarship opportunities, and smaller class size
- Counselor from IDEA Charter high school in Donna said UHV profile suits their graduates with emphasis on mentoring, personal assistance, location
- Both Laredo CC and South Texas College want to partner with us because of explosion in their population and our profile

Late Fall/Spring Recruitment Efforts

- Scheduled 48 high school visits and events for December
- 145 visits per month in the Spring to high schools
- 65 high school visits devoted to juniors
- Participate in approximately 45 Spring college fairs
- Launch integrated marketing plan, including direct mail, media, and email pieces - one per month to 60,000 prospects (juniors and seniors)
- Campaign Victoria is aggressively raising funds for freshman and sophomore student scholarships

Tentative Timeline

| Date | Event |
|-----------------------------|---|
| Current | Price point negotiated Due diligence is complete Sales contract has been negotiated |
| December 2, 2009 | UHS Board of Regents consider purchase/renovation proposal |
| December 15, 2009 | THECB Committee reviews residential housing purchase |
| December 18, 2009 | Possible purchase date |
| February 1, 2010 | Place furniture order |
| February, 2010 | Architect and Construction Manager at-Risk on board |
| March 1 – June 30, 2010 | Exterior and interior common area repairs/renovations as needed |
| March 1 – July 31, 2010 | Dining area repairs/renovations as needed by dining service company |
| March 1 - July 31, 2010 | Building A - Room repairs/renovations as needed |
| August, 2010 | Students move in |
| March 1 – December 15, 2010 | Building B - Room repairs/renovations as needed |

New Applicants Donna High School Students

