

APPROVED
April 7, 2015

Item #V-15
April 7, 2015

**PUBLIC UNIVERSITY
NON-INSTRUCTIONAL CAPITAL PROJECT APPROVAL**

Submitted for: Action.

Summary: This item recommends approval of the following public university non-instructional capital project:

Northeastern Illinois University
Residence Hall

\$ 41,800,000

Action Requested: That the Illinois Board of Higher Education approve the non-instructional capital project described in this item.

STATE OF ILLINOIS
ILLINOIS BOARD OF HIGHER EDUCATION

**PUBLIC UNIVERSITY
NON-INSTRUCTIONAL CAPITAL PROJECT APPROVAL**

Northeastern Illinois University is seeking Illinois Board of Higher Education approval of the projects presented in this item in order to proceed. This item provides details regarding the projects' scope, cost and funding source, campus input, and schedule.

<u>Institution/Project</u>	<u>Total Estimated Cost</u>
1.) Northeastern Illinois University: Residence Hall	\$ 41,800,000

1) Northeastern Illinois University

Residence Hall Project

Project Background & Scope

Northeastern Illinois University (Northeastern) residence hall project is located on the main campus at 5500 North St. Louis Avenue in Chicago, adjacent to the access road forming the west boundary of the campus and south of and adjacent to the multi-story parking facility.

This residence hall project consists of a single, six-story L-shaped building providing 440 beds within 110 units of apartment style housing. Ninety-eight of the units will be four-bedroom single occupancy, and 12 of the units will be two-bedroom double occupancy providing a lower rate. All units will have two bathrooms, be fully furnished, and have fully appointed kitchens.

The building will contain a 4,600 square foot community center on the first floor with fitness center, study lounge, residence life offices, mailroom, and vending. Laundry facilities and social/study lounges will be present on floors two through six. The building gross square footage is about 168,000.

The Board of Trustees committed to developing student housing via our 2008 Strategic Plan, and affirmed its commitment to construction of residence halls by passing a resolution in February 2014. Northeastern has decided to move forward with the project on a location preferred by our developer. The Board receives briefings on real estate matters in executive session in accordance with the Open Meetings Act.

The Board is expected to approve Development, Management, Financing, and related project agreements at its April 9, 2015, meeting. American Campus Committees (ACC) will

oversee the design, construction, and operation of the hall, and the Collegiate Housing Foundation (CHF) will finance the project. The contractual agreement among Northeastern, ACC, and CHF is to be structured as a ground lease, appropriately considered a concession within the meaning of the Illinois Procurement Code. This public/private partnership is virtually identical to projects previously undertaken at ISU and NIU.

ACC plans to break ground for the project before summer and expects the project will be open for occupancy in the fall semester of 2016.

Project Rationale

Based on a market study by Danter Company LLC, there is more than adequate demand for the project. That study based its conclusions upon an analysis of housing at comparable universities indicated demand from current students, and an off-campus housing market study.

Anecdotally, recruitment staff have discovered that many part time commuter students would become full time if housing were offered on campus. Studies have shown better retention rates for first year students living on campus. Recruiters have also received considerable feedback from students and parents from the “collar counties” (i.e. counties bordering Chicago’s Cook County) that those students would be interested in attending Northeastern if housing were available on campus.

Northeastern’s Board of Trustees, when implementing tuition rates for the 2015-16 academic year, approved offering in-state resident rates to non-state residents in the states bordering Illinois. Northeastern believes they will be able to recruit well in the diverse urban areas of southeastern Wisconsin and northwestern Indiana, as well as students from urban centers in the other bordering states who are interested in attending an urban university with a diverse student population and diverse faculty and staff. Northeastern believes the project has the potential to decrease the exit of Illinois high school graduates to study in others states.

Northeastern’s international enrollment is about one percent, without having any intensive recruitment efforts and without student housing on campus. Given the large numbers of first and second generation American students already on campus from Latin American, Eastern Europe, and the Middle East, Northeastern expects to quickly double and then triple our international student enrollment once we have student housing.

At a time when the Illinois high school student base is declining, increased enrollment via student housing on campus will support the instructional and non-instructional objectives of the institution by allowing Northeastern to maintain, support, and grow enrollment in its broad array of academic programs, while also supporting its mission:

“Northeastern Illinois University, as a public comprehensive university with locations throughout Chicago, provides an exceptional environment for learning, teaching, and scholarship. We prepare a diverse community of students for leadership and service in our region and in a dynamic multicultural world.”

Project Cost & Financing

The bond issuance for the total project cost is expected to be about \$41.8 million. Total construction cost is expected to be \$34.2 million, about \$204 per square foot. Total soft cost is

expected to be about \$2.5 million, or less than \$15 per square foot. Financing cost is expected to be about \$6.3 million, or under \$40 per square foot.

Northeastern will agree to provide an upfront equity contribution not to exceed \$3.5 million, to the extent necessary for obtaining desirable financing for the project. This funding, to the extent required, would come from University income reserves.

The financing is expected to be structured as fully amortizing, tax exempt revenue bonds with a 32-year final maturity. The planned ground lease would extend ten years beyond the maturity of the bonds. Annual principle payments would begin on July 1, 2018, and semi-annual interest payments on January 1 and July 1, commencing July 1, 2015. The debt funds rate is yet to be determined.

The University will serve as the ground lessor. The ground rent will be constituted from surplus cash flows. Ownership of the improvements will transfer to the University after the bonds are repaid. The University will agree to provide ongoing support to the project to the extent that if the project were not to achieve a debt service coverage ratio of one to one, then the support would be provided.

There will be no increase in student fees due to this project. There are no donations or pledges secured to support this project.

Constituency Input/Decision-Making

Resident hall planning first appeared during the 2008 Strategic Plan creation, which involved participation of more than 600 individuals, including students, faculty, staff, alumni, and members of the Board of Trustees and community. That Strategic Plan concluded with an Action Step to “Add a residential life component consistent with the mission of the University.” The Board of Trustees approved that Strategic Plan and Action Step on September 18, 2008.

The Board of Trustees affirmed its commitment to construction of residence halls by passing a resolution in February 2014. At the same time, residence hall projects were highlighted to the public via the President’s “Decade of Dreams” presentation, which also noted other important projects like the new Education Building currently being designed.

Northeastern’s President highlighted the more intensive recent planning in her fall 2014 State of the University address for faculty, staff, and students, emphasizing the necessity and advantages of providing on campus residence halls. Northeastern’s Chief Communications Officer (CCO) has had a critical role, both in providing information to the neighborhoods and communities near the campus and in gathering input from those stakeholders regarding the project. He regularly attends neighborhood group meetings including the Hollywood/North Park Community Association, the North River Community Association, and the North River Commission and has held dozens of one-to-one meetings with community leaders and neighbors. The University routinely hosts three meetings of the Northeastern Neighborhood Network each year to receive input and provide updates, with those meetings including representation from civic organizations, Northeastern administrators, and neighbors.

Northeastern has established a website providing frequently updated news and information to the community, allowing the opportunity to submit ideas, questions, compliments, and concerns online. This site serves as the repository for documents and frequently asked questions regarding the residence hall project and other Northeastern matters. Additionally, the

CCO monitors online discussions and provides requested information to neighborhood Facebook groups.

As Northeastern approaches formal approval of this long planned project, the CCO has developed a comprehensive communications plan going forward, that plan to include communication to students, faculty, staff, alumni, and community members.

Recommendation

Staff has reviewed the project presented in this item and found it to be in accordance with the Board's *Noninstructional Capital Project Guidelines*, approved by the Illinois Board of Higher Education in August 2002, and administrative rules. The project is consistent with the mission and scope of the institution; provides needed additional, replacement, or more efficiently utilized space; and is economically feasible, as required by administrative rules.

The staff recommends adoption of the following resolution:

The Illinois Board of Higher Education hereby approves the noninstructional capital project included in this item.