

**APPROVED
SEPTEMBER 19, 2017**

Item # VII-6
September 19, 2017

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

Submitted for: Action.

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

University of Illinois at Chicago

Ground Lease/Student Housing \$100,000,000

Statutory Citation and Requirement:

110 ILCS 205/8 of the Board of Higher Education Act outlines procedures for annual budget and capital development and approvals among the Illinois Board of Higher Education, the Illinois Community College Board, and the public universities. Guidelines for university non-instructional capital items are referenced as follows:

“Each State university must submit its plan for capital improvements of non-instructional facilities to the Board for approval before final recommendations are made if the total cost of the project as approved by the institution’s board is in excess of \$2 million. Non-instructional uses shall include but not be limited to dormitories, union buildings, field houses, stadium, other recreational facilities and parking lots. The Board shall determine whether or not any project submitted for approval is consistent with the master plan for higher education and with instructional buildings that are provided for therein. If the project is found by a majority of the Board not to be consistent, such capital improvement shall not be constructed.”

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**

The University of Illinois at Chicago (UIC) 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>
University of Illinois at Chicago: Ground Lease/Student Housing	\$100,000,000 *

- Up to \$6 million from university funds for academic portion of building with the remainder to be paid from user fees collected through housing rental agreements.

University of Illinois at Chicago
Ground Lease/Student Housing

Project Background & Scope

As planned, the Project will provide a true living-learning community, located at the corner of Harrison Street and Morgan Street on UIC's campus. The residential component of the project will be within a ten-story tower comprising approximately 83,000 square feet, providing approximately 550 beds of housing in a mix of traditional residence hall style units and semi-suite style units, along with study lounges, social lounges, residence life offices, a fitness center and laundry facilities. The traditional residence hall style units will share a modern, community bathroom while the semi-suites will provide in-unit bathrooms. A mix of single and double occupancy bedroom alternatives will be provided in the fully furnished units. The integrated 51,000 square foot academic component of the building will be contained within a two-story wing of the building and will provide three large lecture halls, four classrooms, several small group study rooms, a tutoring center, computer stations and other soft seating areas for social and study purposes. The Project will also include approximately 1,700 square feet of retail space, which is anticipated to be used as a café. Construction of the Project is slated to commence in December 2017, with completion scheduled in July 2019.

Project Rationale

In support of its housing master plan, UIC solicited proposals in fall 2016 for the development and construction of a new, mixed-use student housing and academic facility to be located on its campus. As a result of the procurement process, UIC has chosen to partner with veteran student housing developer American Campus Communities (ACC or the Developer) to

implement the design, development, financing, construction, equipment and operation of the integrated student housing and academic facility (the “Project”).

Project Cost & Financing

The total cost of the Project at this time is estimated to be \$100 million. The proposed financing structure for the Project will be based on a privatized financing model through which the Board of Trustees of the University of Illinois will lease the land on which the Project is located to a to-be-formed single member limited liability corporation (Borrower), the sole member of which is Collegiate Housing Foundation, a 501(c)(3) organization established to assist colleges and universities across the country in providing housing for their students and otherwise furthering their education missions. The Borrower will be organized exclusively for the Project on UIC’s campus and is not expected to have any assets other than the Project. The Ground Lease will extend for a term in excess of the maturity of the proposed debt financing and will contain provisions requiring the Project to be constructed and operated in accordance with UIC-established standards. Standard provisions in the Ground Lease will also include certain areas of support and cooperation among UIC and the Borrower, including considering the Project as part of UIC’s housing stock and taking the Project into consideration in the planning of any future housing projects. The Borrower will own the improvements for the term of the financing, described below, and will sublease to UIC the portion of the Project comprising the academic facilities and retail space. Rent payable under the Sublease will be based on the annual debt service costs of those facilities. It is currently contemplated that UIC will fund sublease payments from mandatory student fees and institutional funds. UIC is also evaluating making an upfront contribution of up to \$6 million from Academic Facilities Maintenance Fund to reduce the financing amount for the academic/retail portion of the facilities.

The University will pay operations and maintenance on the academic portion of the building and ACC will operate and maintain maintenance on the residential portion. The ground will still be owned by the University but leased to the developer. The building will be owned by the developer until it reverts back to the University at the end of the financing term.

Constituency Input/Decision-Making

One of the main results of the recent master planning effort is to enrich the student experience on campus which is in response to the needs expressed by students attending college in the 21st century. The plan calls for the modernization of classrooms, laboratories, residential facilities and student support spaces. This new facility will meet the needs of entire student as the mixed use building will provide modern living amenities along with the integrated 51,000 square foot academic component of the building which is to be contained within a two-story wing of the building and will provide three large lecture halls, four classrooms, several small group study rooms, a tutoring center, computer stations and other soft seating areas for social and study purposes. The Project will also include approximately 1,700 square feet of retail space, which is anticipated to be used as a café.

Recommendation

Staff has reviewed the project presented in this item and found it to be in accordance with the IBHE’s *Noninstructional Capital Project Guidelines*, approved in August 2002, and administrative rules. The project is consistent with the mission and scope of the institution; provide needed additional, replacement, or more efficiently utilized space; and are 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.

