

Augustana University
Student Housing Development Project
Request for Proposal

July 2020

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1. Introduction

1.1 Request for Proposals (“RFP”)

Augustana University (“Augustana” or “the University”) seeks to enter in to an agreement with a Private Partner/Investor to monetize the University’s Existing Housing and to develop New Housing on university-owned property. In exchange for an upfront payment to the University, the Private Partner/Investor will receive housing payments for a defined period of time to be determined, build new student housing, potentially operate and maintain all Combined Housing, and enjoy a right of first refusal to develop additional campus housing and academic facilities.

Based on the responses received to this RFP, the University intends to shortlist a small number of Bidders. Following interviews and discussions with these shortlisted Bidders, it is the University’s intent to select a Preferred Bidder with whom it will enter in to an Exclusive Negotiating Agreement (“ENA”) which will govern the terms of negotiation for a limited period of time. At the conclusion of the ENA process, the Preferred Bidder will enter in to an agreement with the University which will elaborate the details of the housing concession and payment terms and the requirements around the New Housing construction.

1.2 Definition of Terms

Augustana or University	Augustana University
Bidder	Interested parties submitting response to the RFP
Combined Housing	Existing Housing and New Housing
ENA	Exclusive Negotiation Agreement
Existing Housing	University’s current on-campus housing stock
Master Plan	2020 Master Plan to be made available in the data room
New Housing	New campus housing on university-owned property
Preferred Bidder	Bidder with whom the University will sign the ENA
Private Partner/Investor	Preferred Bidder with whom the University will enter in to a long-term agreement at the conclusion of the ENA process
RFQ	Request for Qualification
RFP	Request for Proposal

2. Project Overview

2.1 Background

Augustana University is located in Sioux Falls and is the largest private university in South Dakota. Founded in 1860, Augustana University is a private, residential, comprehensive (liberal arts and professional) university of the Evangelical Lutheran Church in America. Central to Augustana's mission are five core values—Christian, Liberal Arts, Excellence, Community and Service—that serve as the foundation for Augustana's academic and student life programs. Students who enroll at Augustana are attracted by Augustana's intellectually challenging and supportive learning environment, the integration of faith, and an active and engaged campus community. These elements of Augustana experience add up to an education of enduring worth, preparing students for a lifetime of learning and service.

In 2019, Augustana University was named a Top 10 regional university for the first time by U.S. News & World Report – ranking #9 in Best Regional Universities in the Midwest. In previous years, Augustana was categorized and highly ranked as a Best Regional College. The new classification underscores the university's growth in academic programming and high student outcomes.

Augustana was listed in other Best Regional Universities Midwest categories: #2 Best Value, #8 (tie) in Most Innovative, and #12 (tie) in Best Undergraduate Teaching.

Also in 2019, Career site Zippia ranked Augustana University No. 2 in the nation for post-graduate employment. The Outcomes Report by the Student Success Center, in collaboration with the Office of Assessment, identified that 99 percent of recent Augustana University graduates seeking employment are employed in their major or chosen field.

U.S. News & World Report classifies Augustana as a "more selective" school, with 62% of the students enrolled having graduated from high school in the top quartile of their class, the average GPA being 3.7.

	2015	2016	2017	2018	2019
<i>Undergraduate Applications</i>	1,622	1,643	2,141	2,399	2,406
<i>Acceptances (acceptance yield)</i>	1,040	1,132	1,446	1,572	1,614
<i>New Enrollments (enrollment yield)</i>	427	491	554	532	494
<i>Acceptance rate</i>	64%	69%	68%	66%	67%

The school's retention rate of freshmen returning as sophomores was 84% between 2019 and 2020. Graduation rate is 70-75% on a 6-yr average. Peer schools include St. Thomas University in Minnesota, Drake University in Iowa, and Valparaiso University in Illinois. Aspirational peer schools include Creighton University in Nebraska and Gonzaga University in Washington state.

Augustana is expecting to grow. The University recently announced the creation of the Sharon Lust School of Education, and over the next 10-years, Augustana plans to continue cohort growth in their medical humanity programs and to add additional undergraduate, graduate and doctoral programs. The University is also looking to grow its 2-year associate degree and certificate programs to meet the demands of non-traditional students.

In addition to the medical humanities programs, Augustana expects to see an increase in the number of its business students as they are adding an MBA program with a "4+1" year model; meaning a traditional student can graduate in 5-years with an MBA. They are also adding a 2-year MBA program. Lastly, 2020 will be the first year of Augustana's new School of Education as well as the new School of Music.

With the new marketing emphasis on moving toward a model of 'Schools' from the traditional liberal arts model, the University anticipates cohort growth in those two areas as well.

Expected COVID-19 Impacts

For the school year commencing in August 2020, the University is anticipating a drop in undergraduate enrollment by about 130 students as a result of the pandemic, which reflects a drop from 1,758 to 1,630 students (7.2%). Graduate enrollment is not expected to be impacted and will remain at around 300 students.

In terms of student accommodation, Augustana is anticipating a drop of about 100 residents this fall. The University is anticipating somewhere between 1,050 and 1,100 residents this fall, reflecting a 75-80% occupancy rate. Occupancy is expected to recover within the next 12 months. See section 2.4.1 for additional information on the University's student housing occupancy rates and targets.

The total financial impact of COVID on the Augustana campus is estimated to be about a 3-4% loss on the University's annual operating budget.

2.2 Objectives

Augustana is seeking to improve its housing accommodations across campus as well as to monetize its student housing income by entering in to a long-term agreement with a Private Partner/Investor. The University is willing to provide a guaranteed minimum level of rent payments if necessary to support a higher valuation of the Existing Housing, but their preference is for a Private Partner/Investor to assume full demand risk.

Augustana is looking for an experienced Private Partner/Investor who can help it hone the accommodation offering on campus to meet student needs while maximizing revenues.

The University's primary objectives are to improve its housing accommodations across campus and to seek a monetization that provides the greatest possible value to the University in the form of an upfront payment.

2.3 Schedule and Process

Augustana has a strong desire to identify a Private Partner/Investor and close on the housing monetization in 2020. The schedule below is subject to change based on responses received:

Release RFP	July 31, 2020
Pre-bid Zoom Conference (registration required)	August 12, 2020 at 2pm Central
Responses to RFP due	August 28, 2020 at 5pm Central
Shortlisted Bidder Announcement	September 1, 2020
Interviews with Shortlisted Bidders	w/c September 1, 2020
Select Preferred Bidder	October 1, 2020
Target financial close for housing monetization	October 31, 2020
Target financial close for capital program	March 1, 2021

Indications of interest to participate in the non-mandatory pre-bid Zoom conference on August 12th should be sent to info@pfallimited.com.

Any questions or requests for clarification should be submitted to info@pfallimited.com. All questions will be consolidated and anonymized with responses posted to the data room on a rolling basis.

The data room can be accessed at the address provided below:

<https://pfalimited.sharefile.com/f/fo7e2a65-8f6b-477a-a3b1-ad677da5da3a>

2.4 Project Information

2.4.1 Monetization

The University seeks to monetize revenue from the Existing Housing. Augustana has provided information in the data room relevant to Bidders' valuation of the Existing Housing. Bidders are encouraged to review this information and to use it to develop a valuation of the housing. This valuation is to be submitted with responses to this RFP.

Augustana is neutral on retaining or outsourcing operations and maintenance services on the Existing Housing, and is also neutral on the Private Partner/Investor being a fee developer vs an equity investor. Bidders should consider the value proposition that allows them to maximize the upfront payment to the University.

The Private Partner/Investor will enjoy security over the housing revenue only. No real property will be pledged to the Private Partner/Investor. While the University prefers for Bidders to take revenue risk, the University will be willing to guarantee a minimum level of housing revenue for purposes of securing financing if needed.

During the ENA process, if the housing monetization payment is reduced by the Preferred Bidder by more than 5% for any reason, the University will have the right to terminate negotiations and select the next highest ranked Bidder to enter in to an ENA.

2.4.2 Capital Program

Interested parties are invited to review the data room for additional information on the Combined Housing.

Existing On-Campus Housing Information

The University has a mandatory 2-year live on campus requirement. Currently there are 1,402 beds (approximately 500 gsf). Based upon a 2018 on campus housing study and master plan, Augustana University housing occupancy is currently just below capacity (89% utilization) given 2017-18 student enrollment with projections indicating approximately 99% FY 2022-23. To allow for required flexibility, the ideal occupancy rate is considered to be 90% as explained below.

Because utilization is nearing full use of beds, flexibility is severely limited creating difficulty in accommodating a myriad of student needs that arise during the school year, as well as the ability to accommodate fluctuations in class size and gender balance from year to year. Examples include: social distancing requirements, ADA, support animals, roommate conflicts, etc. Student needs and expectations for privacy and accommodation have changed dramatically over the past 60+ years since Bergsaker, Solberg and Tuve (residence halls) were constructed, requiring additional flexibility in room assignment, socialization needs, and especially in the area of bathroom setup.

The type of accommodation currently on campus includes residence halls, theme houses and apartments. These facilities were built in the 1950's and 1960's with various renovations having occurred as recently as 2014. The University has 1,950 parking spaces.

Students typically enter in to full year lease agreements and make monthly payments to the University. In the past, rent increases have been about 3% per year and this has been well-tolerated by residents. All receipts from housing will be collected by the University and then paid by the University to the Private Partner/Investor.

New Development

The University desires for the Private Partner/Investor to deliver c.\$50 million in New Housing facilities on campus property. There is no demolition anticipated as part of this particular transaction. However, the Private Partner/Investor may have an opportunity to participate on a right-of-first refusal basis in the development of additional campus facilities, including new academic buildings, housing, and campus infrastructure improvements.

Augustana has determined that a c.\$50 million investment in New Housing will meet their affordability requirements. The mix of New Housing units will be determined by the selected Preferred Bidder in consultation with the University. At this time, the University has demand for apartment-style housing that exceeds supply.

Beyond the initial c.\$50 million housing expansion on campus, the Private Partner/Investor will have an opportunity to build any additional student housing needed on campus as a right of first refusal. Contemplated development includes creating a 'North Village' by replacing existing Theme Houses along 28th St. for a net gain of 28 beds and potentially more.

2.4.3 Design and Construction

The design and construction work required of the Private Partner/Investor falls in to two categories: renovating the Existing Housing and delivering the New Housing.

Augustana houses approximately 72% of full-time enrollment students. 1,425 beds would be needed to meet the projected need at capacity (90% occupancy). If all housing upgrades are implemented as forecasted, approximately 377 beds would need to be available for future growth past the 2022-23 academic year. With thoughtful planning, selection of the right housing partner, variations in projects undertaken, and timing for them, housing will be brought into balance according to University needs.

Student housing goals for Augustana over the next 2-3 years include:

1. Provide comfortable, modern and attractive housing that allows flexible assignment from year to year.
2. Increase on-campus housing to accommodate projected growth with a 90% utilization rate cap through the 2022-23 academic year.
3. Strengthen student communities, their sense of place, and identity to support learning, development and retention.
4. Address parking needs as appropriate to meet current and future needs.

Renovation of the larger halls (Bergsaker, Solberg and Tuve) will require their current occupants to be relocated during renovations. The University is open to renovating a residence hall floor by floor or wing by wing for example to reduce the number of dislocated occupants, but given the overall projected housing needs, New Housing can serve this purpose. A more complete separation of students and construction is also safer for everyone concerned, and less disruptive. Taking this approach, each of the three halls will need to be shut down for an academic year, Bergsaker and Solberg could potentially be renovated simultaneously.

Recommendations being considered by Augustana include:

1. Add housing capacity as needed for Academic year 2022-23 and beyond.
2. Construct a major addition of approximately 200 beds to Solberg and Bergsaker Halls (see page 56 of Housing Master Plan) and another of about the same size to Tuve Hall (see page 62).
3. Completely renovate Bergsaker, Solberg and Tuve Halls.
4. Provide minor renovations to East Hall. Renovate Stavig and Granskou bathrooms and HVAC systems.

5. Add parking stalls to meet current and increased need in a phased approach (optional).

Augustana welcomes alternative suggestions and recommendations on how to create the best 'value added approach' for best accommodating the housing needs across campus. Each Bidder is encouraged to provide their value-added approach on how to best improve the housing needs for the university.

2.4.4 Services

The University believes that the optimal delivery structure will transfer operations and lifecycle maintenance risk for the Existing Housing stock and the c.\$50 million in New Housing to the Private Partner/Investor, however, Augustana remains open to retaining operations and maintenance responsibilities if it is economically beneficial to the University.

The University does not anticipate that the Private Partner/Investor will assume any responsibility for student programs or residential life services.

2.4.5 Handback Requirements

The University anticipates that the Existing Housing will be returned in current condition at the conclusion of the concession term. The University anticipates that New Housing built by the Private Partner/Investor will be returned in like-new condition at the conclusion of the concession term as determined by a specified facilities condition index to be agreed.

2.5 Transaction Structure

The University is open to any transaction structure that will optimize the value of the Existing Housing stock as well as the monetization consideration. This includes alternatives where the University issues debt to finance the capital program for New Housing stock.

2.6 Funding and Financing

The University is open-minded on the funding and financing of the transaction and encourages Bidders to think creatively about how to maximize value to the University.

The term of the concession should be specified by the Bidder.

The University is willing to provide a guarantee of minimum rent payments if required by the Private Partner/Investor, but prefers for the Private Partner/Investor to assume demand risk.

The University is not currently rated.

Augustana is willing to issue debt to pay for the c.\$50 million in capital investment, but is also open to an approach where the Private Partner/Investor assumes responsibility to issue debt.

The University is willing to retain rate setting and rent collection risk.

3. Submission Requirements

3.1 Statement of Qualifications

Augustana University requests that interested Bidders provide a statement of qualifications by email that describes:

- Your team
- The experience of the individuals on your team in acquiring, operating, and maintaining accommodation assets, particularly on University campuses
- The proposer's plan to maximize the value of rental income while meeting the University and students' needs

- An indication of the upfront payment for Existing Housing as calculated by your team, along with a description of key assumptions that are included in your valuation, including term length, financing assumptions, rental rate increases, operations and maintenance assumptions, etc.
- Your team's proposed transaction structure
- Subject to your proposed financing strategy, support letters indicating your team's ability to source the monetization payment and close the housing monetization by October 31, 2020
- The experience of the individuals on your team in delivering construction projects of \$50+ million or more
- The experience of the individuals on your team in delivering housing projects of \$50+ million or more

Please submit your responses to: info@pfalimited.com within the timeline requested in section 2.3 of this RFP.

4. Evaluation Process

4.1 Evaluation Criteria

Statements of qualification will be evaluated on the basis of:

- Highest value for the housing monetization
- Strength of the commitment of the Private Partner/Investor to deliver on the initial valuation/monetization figure
- The Private Partner/Investor's experience in delivering projects / housing projects of \$50+ million or more
- Private partner/investor's ability to assist in advancing the 2020 Master Plan