



The Journey to Alternative Funding

A PANEL ON OPPORTUNITY
ZONES, TAX CREDITS, AND P3S

July 16, 2019



Introductions



Jeffrey Turner, LEED AP
Brailsford & Dunlavey
Executive Vice President
Brailsford & Dunlavey



Walter Branson
Wright State University
Vice President for
Finance and Operations &
Chief Business Officer



Tony Calcado
Rutgers University
Executive Vice President
& Chief Operating Officer



Dean Calvo
Scripps College
Chief Financial Officer

01

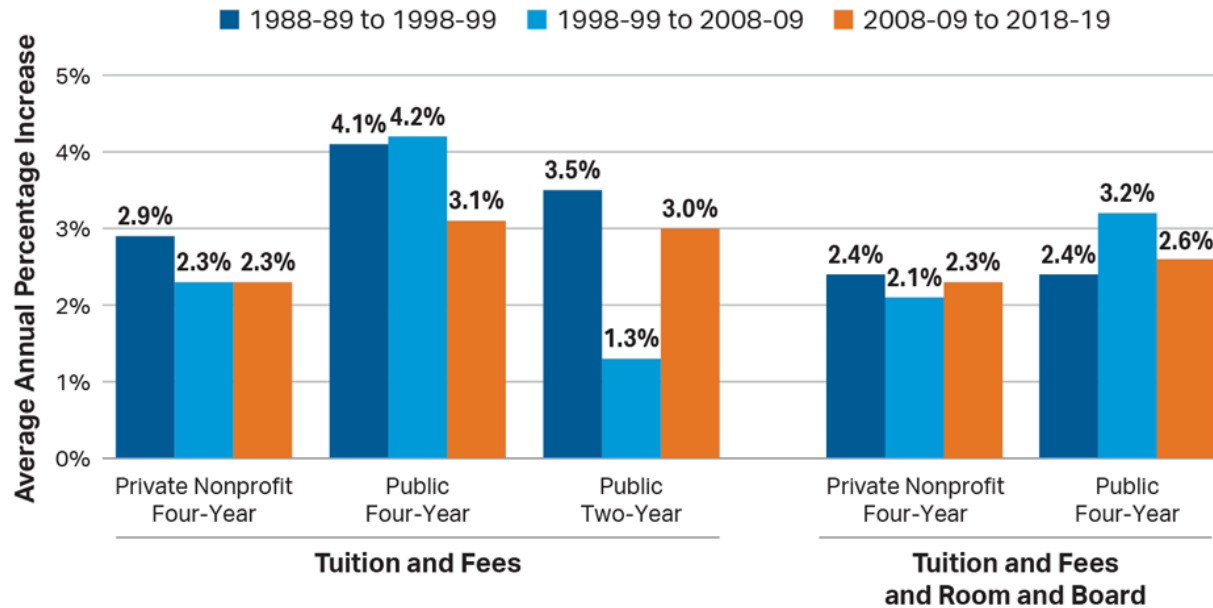
Evolving Industry Context



Evolving Industry Context

TUITION GROWTH IS SLOWING DOWN

- Between 2008-09 and 2018-19, published in-state tuition and fees at public four-year institutions increased at an average of 3.1% per year beyond inflation, compared with average annual increased of 4.1% and 4.2% over the prior two decades.



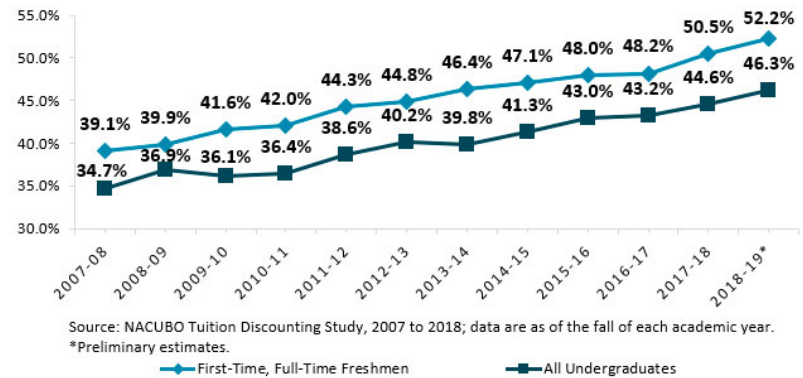
Source: "Trends in College Pricing 2018." College Board, 2018.

Evolving Industry Context

TUITION DISCOUNTING CONTINUES TO RISE

- > Tuition aid given to undergraduates at private colleges covers well over half the full price
- > Tuition revenue at these schools remains very constrained

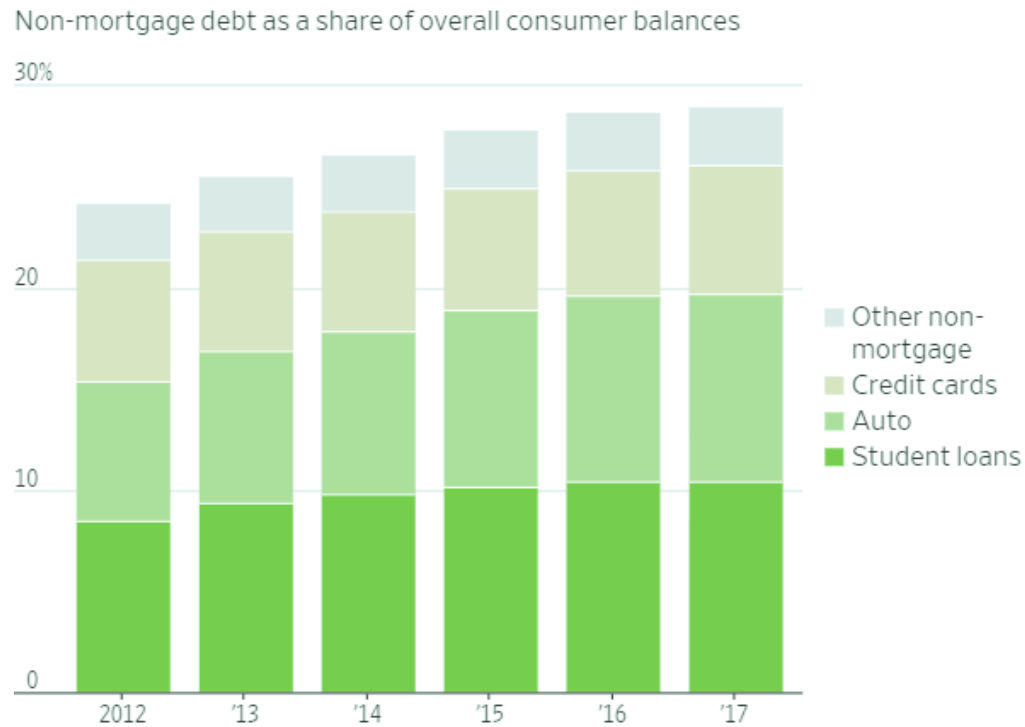
FIGURE 1: AVERAGE INSTITUTIONAL TUITION DISCOUNT RATE BY STUDENT CATEGORY



Source: NACUBO Tuition Discount Survey: 2008-2018

Evolving Industry Context

STUDENT DEBT HAS SURPASSED ALL BUT MORTGAGE DEBT IN AMERICA

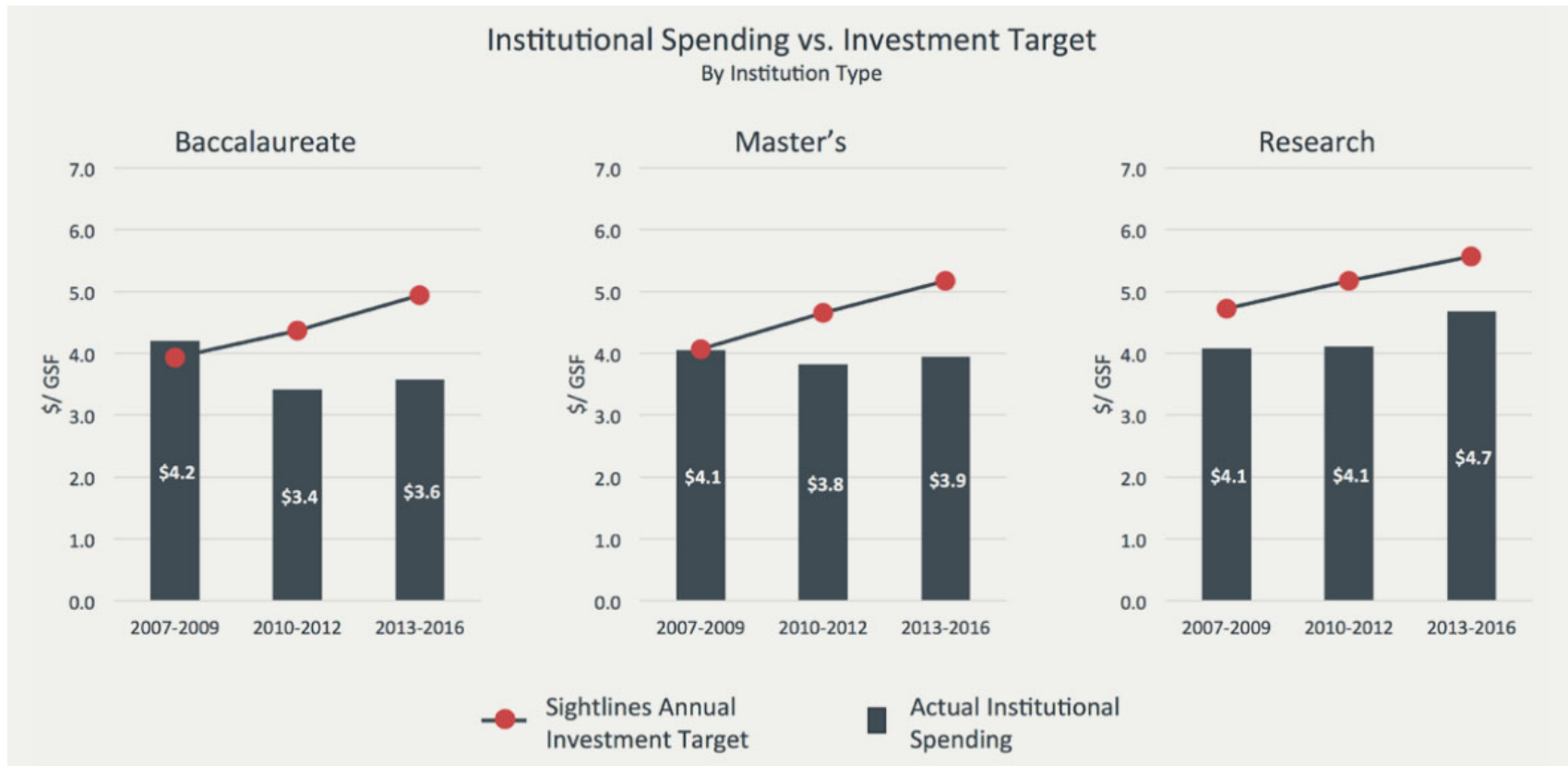


Note: All data are as of the fourth quarter of each year. The 'other non-mortgage' category includes personal loans and private-label store credit cards.

Source: Federal Reserve Bank of New York / Wall Street Journal 02142018

Evolving Industry Context

DEFERRED MAINTENANCE GETTING WORSE



02

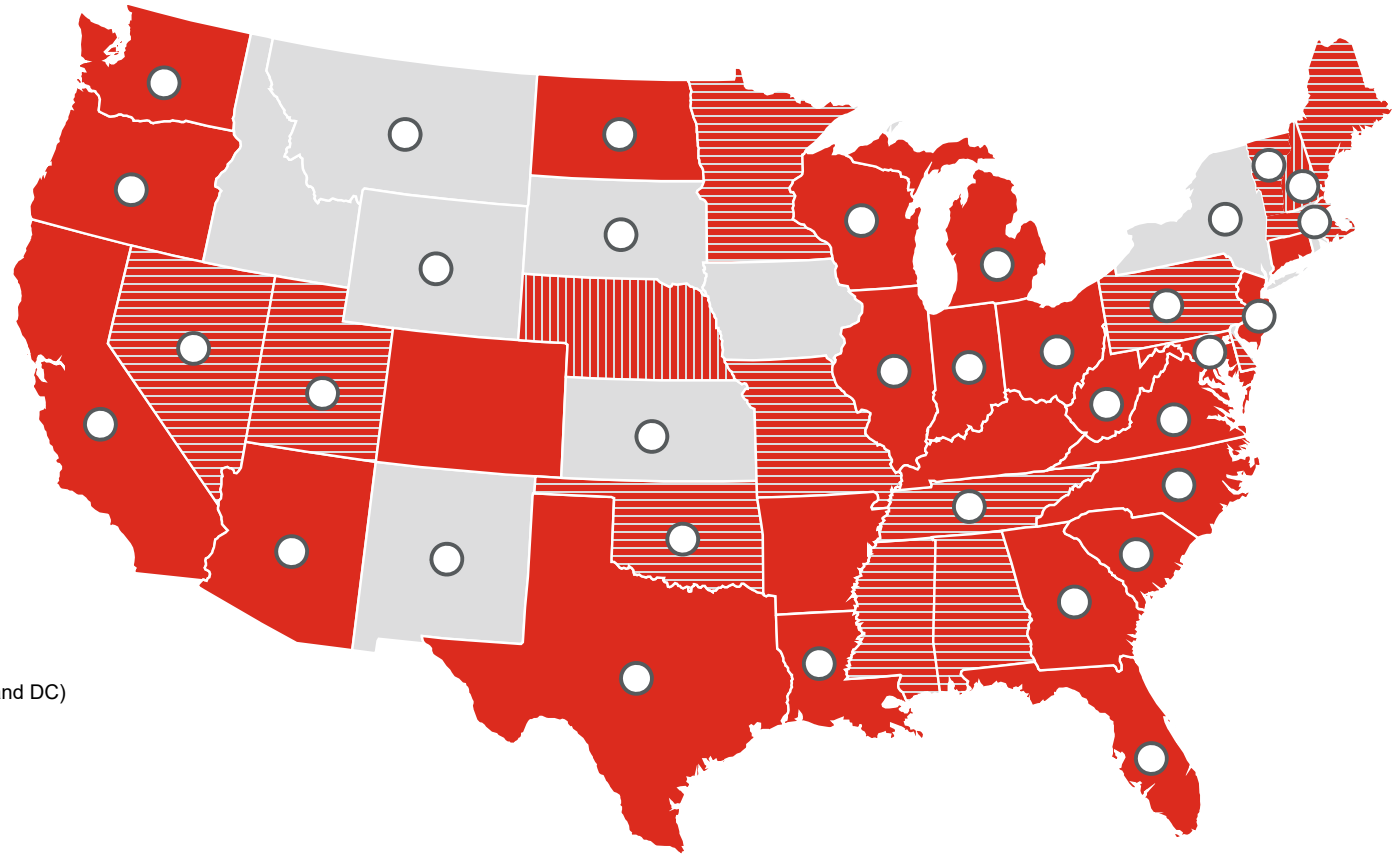
The Annual Survey of Higher Education P3 Transactions



P3 Legislation – Does it really matter to higher ed institutions?

41 states enable P3s
as of August 2018

- Enabling vertical and horizontal P3s to some degree (24 states and DC)
- ▨ Enabling only vertical P3s to some degree (2 states)
- ▨ Enabling only horizontal P3s to some degree (15 states and PR)
- States in which B&D has completed a P3 project

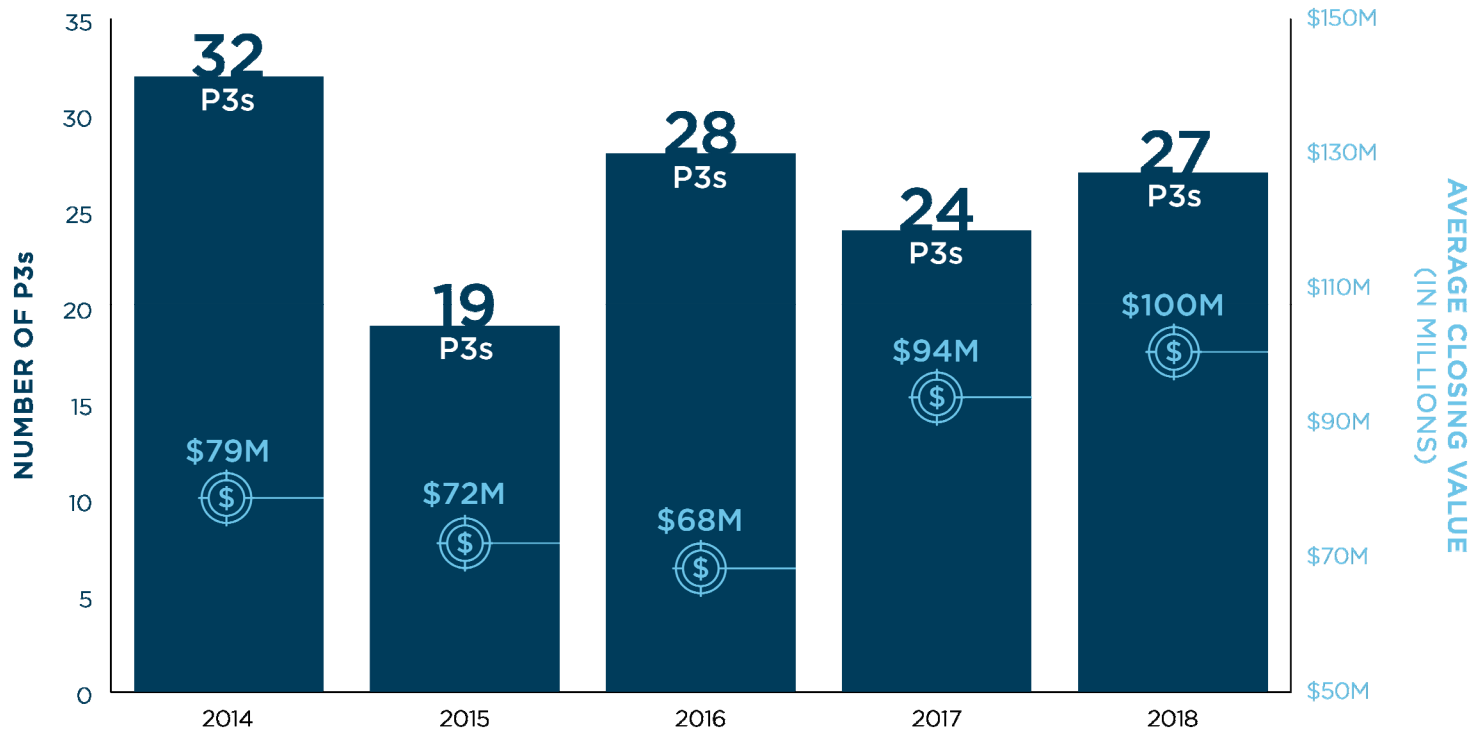


Source: Federal Highway Administration, fhwa.dot.gov

Higher Education P3 Survey

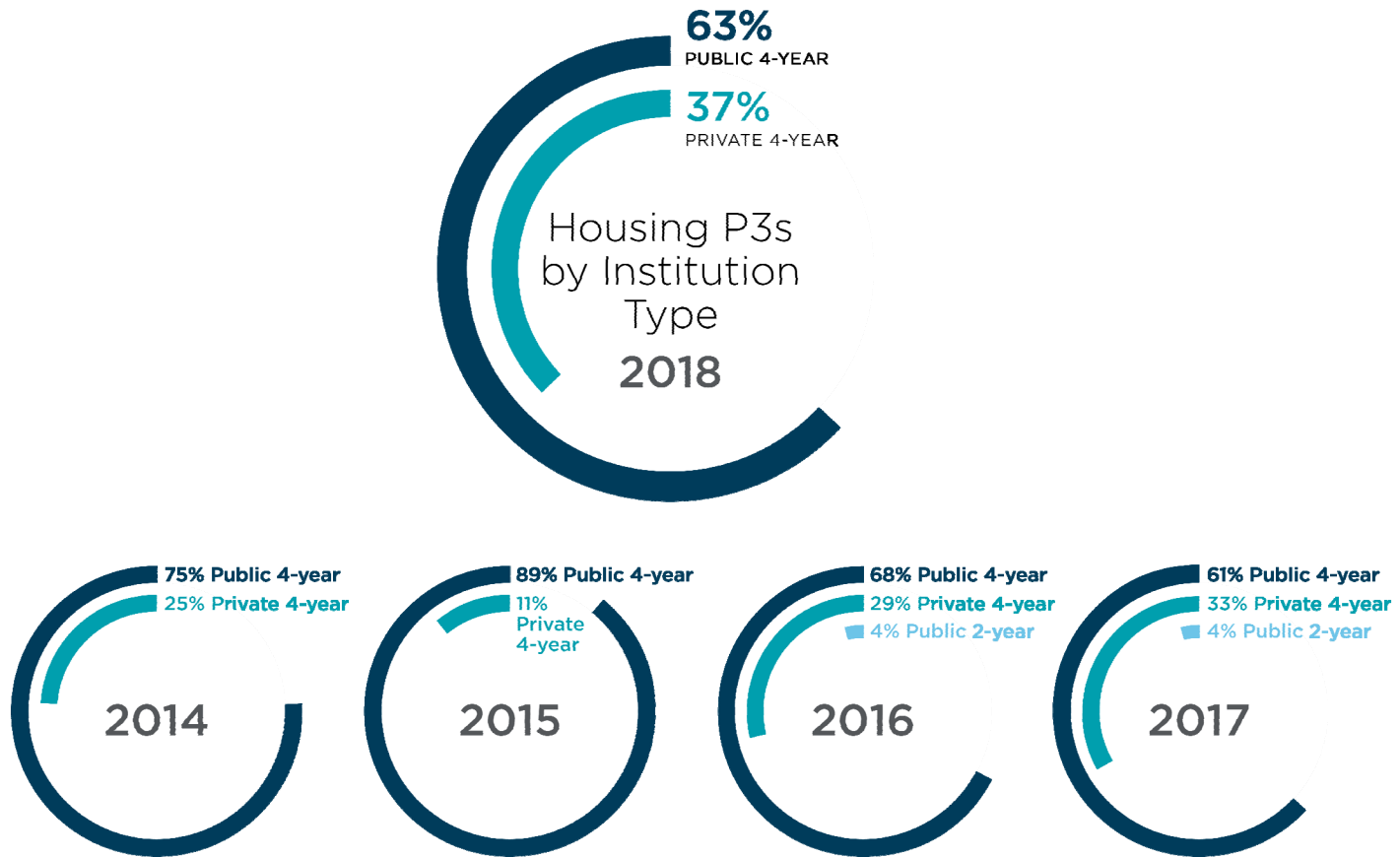
KEY FINDINGS

Number of Housing P3s and Average Closing Value, by Year



Higher Education P3 Survey

KEY FINDINGS

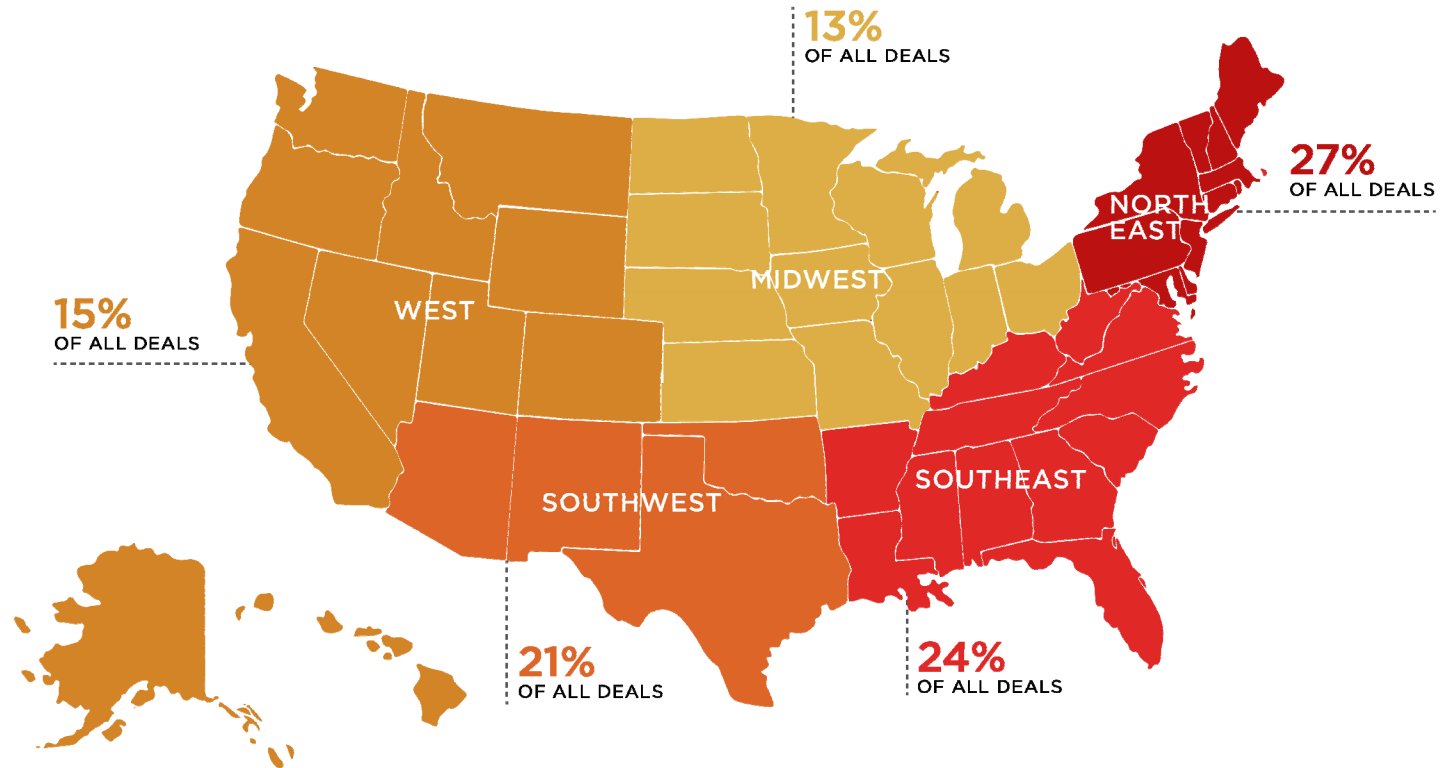


Higher Education P3 Survey

KEY FINDINGS

Housing P3s by Region

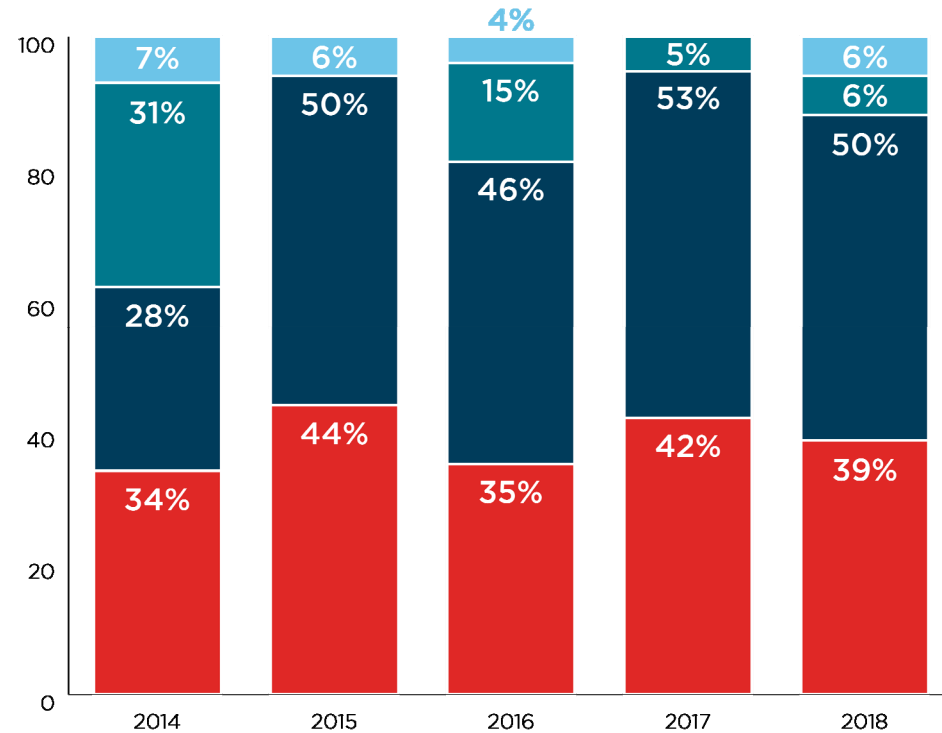
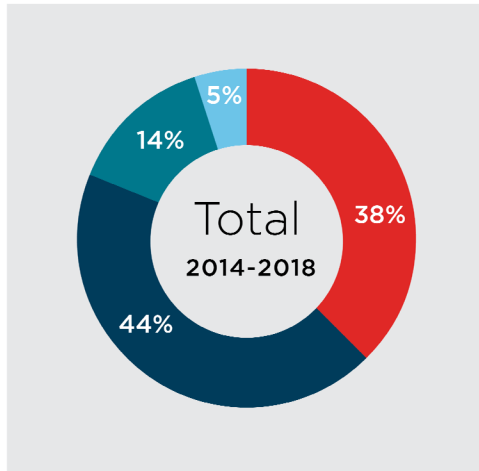
ALL DEALS FROM 2014-2018



Higher Education P3 Survey

KEY FINDINGS

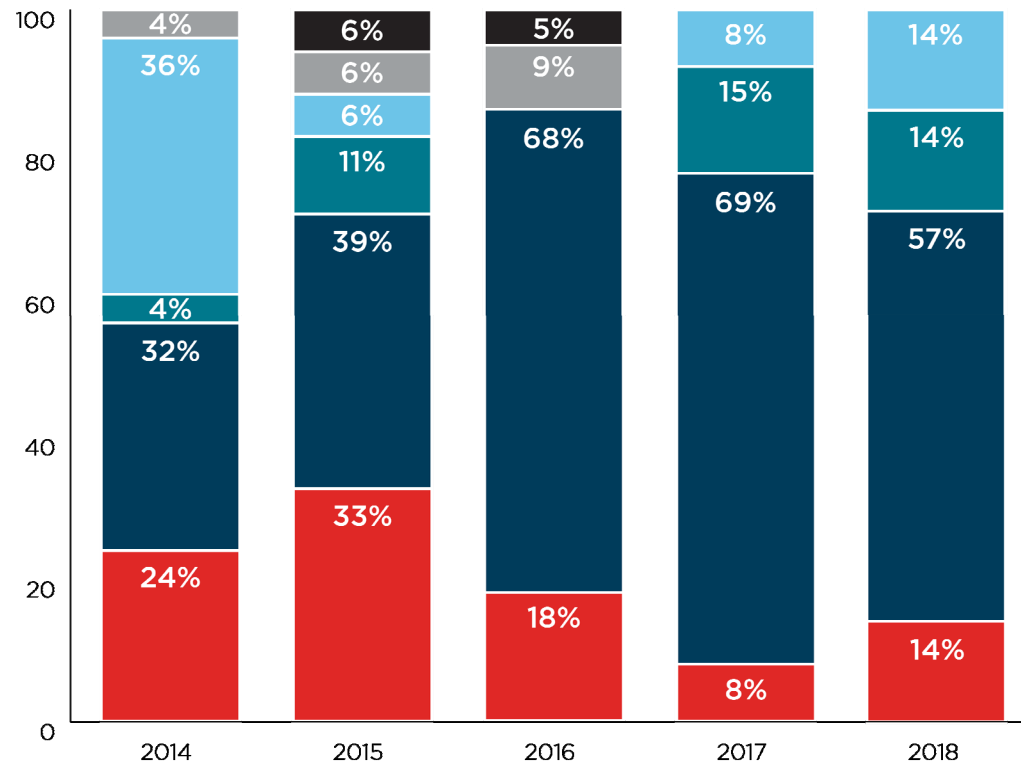
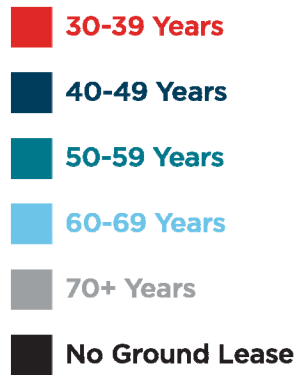
Financial Structure of Housing P3s, by Year



Higher Education P3 Survey

KEY FINDINGS

Ground Lease Duration of Housing P3s, by Year



Higher Education P3 Survey

KEY FINDINGS

Pipeline Projects



95

**POTENTIAL
PROJECTS IN
THE PIPELINE**



\$8B

**WORTH OF NEW P3
PROJECTS IN THE
NEXT FEW YEARS**



28%

**OF THOSE
PROJECTS ARE
IN THE WEST**

Higher Education P3 Survey

KEY FINDINGS

Diversity of Pipeline Assets



Housing



Mixed-use



Energy



Academic



Venues



**Innovation
Districts**



Parking



Other

Evolving Industry Context

OUTSOURCING IS GROWING AT MOST CAMPUSES

83%

Of college leaders say their campuses are increasing partnerships with private firms

53%

Of college leaders say they are interested in turning to P3s to develop campus facilities and infrastructure

42%

Of college leaders see an opportunity to outsource online program expansion

39%

Of college leaders see an opportunity to outsource student housing

(Source: Education Dive, "Outsourcing is growing at most campuses, college leaders say")



Types of Tax Credits

- › Historic Preservation Tax Credits
- › New Markets Tax Credits
- › Low Income Housing Tax Credits
- › Other Tax Credits
- › Renewable Energy Tax Credits

Need to review both State and Federal Options

Opportunity Zones

- › Opportunity Zones are economically challenged communities where new investments may be eligible for preferential tax treatment.
- › Deferral of the original long term capital gain until the investment is sold or December 31, 2026
- › If investment is held for 5 years, the basis for the original investment is increased by 10% of the original capital gain
- › If investment is held for 7 years, the basis for the original investment is increased by 15% of the original capital gain
- › If investment is held for 10 years, there is no long term capital gain due on the O zone investment

Higher Education P3 Survey

A LOOK AHEAD



More political involvement and pressure to pursue a P3



Pre-development risks: many projects failing to close



Issues with construction pricing and labor shortages



Developers are being more strategic about which projects/ procurements to respond to



Exploration of other sources of funds (tax credits, USDA, and opportunity zones)



Shared governance continues to grow



Larger, more complex P3 projects (including long term concessions, availability payment models, KPIs)



Bundling of procurements [food, housing (including faculty), academic buildings, hotel, energy, facility maintenance, etc.]

Additional Resources

P3 Higher Ed Resource Center
Powered by BRAILSFORD & DUNLAVEY

B&D Home About B&D Explore By Topic Contact Us

WELCOME

The Higher Ed P3 Resource Center: Information and Thought Leadership This Dynamic

BACKGROUND, FEATURED, INDUSTRY INSIGHTS, TRENDS

How Colleges Manage to Afford Big Projects in Lean Times
By B&D / May 8, 2018

FEATURED, HOUSING, VOICES FROM THE FIELD

Understanding the Campus and Third-Party Manager Relationship
By Guest Author / May 4, 2018

FEATURED, VENUES

Thinking Innovatively About Athletics Facilities Partnerships (Part 2)
By Guest Author / April 19, 2018

HOUSING, VOICES FROM THE FIELD

Universities Don't Have to Surrender Control With a Public-Private Partnership
By Guest Author / April 12, 2018

HIGHER ED P3 101 SERIES

BRAILSFORD & DUNLAVEY



jturner@programmanagers.com
202.266.3404



The Journey to Alternative Funding

A PANEL ON OPPORTUNITY
ZONES, TAX CREDITS, AND P3S

July 16, 2019

