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Citizens Association of Georgetown /
Burleith Citizens Association

Memorandum

DATE: November 4, 2011

FROM: Eric Luskin, Senior Vice President and Principal
Jason Taylor, Vice President for Consulting Services

TO: Jennifer Altemus, Citizens Association of Georgetown
Lenore Rubino, Burleith Citizens Association

RE: **Overview of Expanded Housing Opportunities for Georgetown University**

The Citizens Association of Georgetown (CAG) is a neighborhood association that has represented the interests of Georgetown residents in local affairs since 1878. CAG works with the Georgetown business community and Georgetown University on behalf of residents on initiatives to help preserve the neighborhood's livability, beauty and historic character. The association acts on matters that affect Georgetown and the greater Washington community by providing advice and counsel to Congress, federal agencies and the District of Columbia (DC) government. The Burleith Citizens Association (BCA) is a neighborhood association that represents all residents and property owners of Burleith. It provides representation for the neighborhood to the DC government and other organizations, and sponsors many community events throughout the year.

The Citizens Association of Georgetown and Burleith Citizens Association (collectively, the "associations") have engaged The Scion Group (Scion), a student housing consulting firm, to prepare this memorandum summarizing potential initiatives that may be considered by Georgetown University (GU) to house its entire undergraduate student population. While the University has not been directly consulted in the development of these potential initiatives, Scion has relied on its experience examining more than 100 student housing markets across the United States.

Existing Conditions

According to publicly available information, Georgetown University enrolled 7,553 undergraduate students in Fall 2010. All full-time, unmarried undergraduate students are eligible to live on campus as space is available. First-year, sophomore and first-year transfer students, under age 21, are required to live on campus unless granted an exemption. Students are guaranteed two years of housing and may request housing for their junior and senior years. The University can accommodate over 5,000 undergraduate students on-campus in its four first-year student residence halls and nine upper-division student residence areas. On-campus housing options include traditional single, double and triple rooms; apartments; and townhouses.

GU's Office of Off-Campus Housing provides an online listing of available apartments for those undergraduate students who are not required to live on-campus. The online listing (http://gu.och101.com/) is managed by *Off-Campus Housing 101*, a third-party vendor which provides off-campus housing solutions to higher education. The listing includes available rental units in the Georgetown University area and greater DC, as well as in Virginia and Maryland. Generally, those students living in the adjacent neighborhoods, Georgetown and Burleith, rent townhouses from private owners. Anecdotally, six or more GU students typically reside in many of the rental townhouses.

Assumptions

Data available from Georgetown University indicates that approximately 1,300 traditional full-time undergraduate students currently reside in the 20007 ZIP code – primarily in West Georgetown and Burleith. Further, GU has submitted plans to the DC Zoning Commission indicating that it intends to add 250 on-campus beds over the next five years. Therefore, Scion has assumed for the purpose of this memorandum that GU must house at least 1,050 additional students beyond known current plans if all traditional undergraduate students were to live in University-sponsored housing. Scion has further assumed that these students are juniors and seniors, since they are not required to live on-campus. In order to match likely student preferences and the continuum of housing offerings on the GU campus, Scion has further assumed that any new construction for junior and senior students is best suited in suite-style or apartment-style accommodations.

Location

While Scion has not toured the GU campus or reviewed the campus master plan, it stands to reason that while there are probably competing priorities, there are also opportunities for new construction or renovation on the campus to add student beds. Indeed, GU has already indicated that it can accommodate 250 more students through the conversion of an existing hotel. However, the presence of available opportunities for new or expanded facilities does not mean that student housing represents the most practical use for each particular campus opportunity. Proximity to other residences, site adjacencies, future growth needs and general adherence to the master plan are just some of the factors that must also be considered. Further consideration should be given to the population being served. It is not always necessary to house junior and senior students directly on the campus core. In fact, as evidenced by the population of juniors and seniors currently living off-campus, some of these students might prefer to live off-campus even if additional housing opportunities on-campus were to become available. Nonetheless, the Associations oppose additional student housing in the 20007 ZIP code. Therefore, the best opportunity for GU to house these students in campus-sponsored housing likely lies with building on its own campus or outside of the 20007 ZIP code.

Regardless of whether available opportunities exist on campus, it is not always necessary for colleges and universities to build directly on their campuses to house the student population. In addition to University ownership, a variety of public-private partnership opportunities are often available; and many

U.S. colleges and universities have located upper-division student housing inventory off the main campus in order to accommodate their students. Howard University in DC, for example, owns and operates Meridian Hill Hall – located 1.5 miles from its campus. As discussed later in this memorandum, the ownership/financing and affiliation of specific off-campus properties may vary.

University Ownership

Should the University desire to further expand its housing options for students, it could choose to own and operate the additional inventory. In this instance the University would need to evaluate four principal opportunities:

1) New construction on the GU campus;
2) Renovation or expansion of an existing facility on the GU campus;
3) New construction off the GU campus; and
4) Acquisition (and possibly some renovation) of an existing property off of the GU campus.

In evaluating these opportunities the University must determine not only the best location for its students (relative to safety, convenience and access to campus), but also the resulting financial implications. Any debt associated with the new construction, renovation or acquisition of student housing that GU undertakes on its own will fall directly on the University's balance sheet and have the maximum impact to its debt capacity. Likewise, the University takes all of the risk for filling the beds and achieving required revenue from operations. Nonetheless, it is important to note that few can borrow money as inexpensively as the University (via tax-exempt bonds) and the University presumably has the ability – should it choose – to pledge excess cash flow from existing facilities to a new project's debt financing, thereby potentially reducing what would otherwise be a higher cost of the new project to students. GU would have complete control of any new student housing facilities it owned, preserving its ability to set and adjust rental rates, fund capital improvement projects, keep any excess cash flow and control the residential experience.

Some recent examples of the range of university-owned student housing development include the North Quadrangle Residential and Academic Complex at the University of Michigan (on-campus, new construction), Baumhart Hall at Loyola University Chicago (off-campus, new construction), Warren Hall at Purdue University (on-campus, renovation), Brottier Hall at the Duquesne University (off-campus, acquisition/renovation). Of course, the rationale for each of these facilities varies by campus; and the specific circumstances and factors motivating one college/university may not be the same for others.

Public Private Partnerships

If the University does not wish to use its own debt or capital to finance new student housing, there are numerous factors which may cause it to engage a private partner(s) for the ownership and financing of new student housing located on- or off-campus. These factors may include:

1) **To expedite delivery**, particularly if the University does not have available land to build the required beds and a potential partner controls, or has access to, an attractive off-campus site entitled appropriately.
2) **To reduce risk** of new construction, in initial lease-up and with repayment of debt (depending on the specific partnership structure adopted)
3) **To obtain favorable balance sheet and credit treatment**, although a formal partnership will not be entirely off-credit and possibly not entirely off the University's balance sheet

Public-private partnerships generally have three distinct possible functions: ownership, delivery and operations. While there are few "hard and fast" rules to which party may own, deliver or operate new student housing facilities, the motivating factors described above provide some insight into how GU might proceed in its evaluation. For example, if GU is most motivated to deliver new beds quickly, it may partner with an existing property off-campus but within a reasonable commute, rather than begin the lengthier process of planning, designing and building student housing. Likewise, if GU is motivated to bear no financial risk in the financing and operation of the property, it may seek a partnership that requires no financial obligations of the University (*i.e.*, a private party would own, finance and operate the property). Many universities throughout the U.S. have done this successfully.

Public Private Partnership Models

While there are numerous iterations of public-private partnerships, the likely opportunities for GU to house all of its traditional undergraduate student population without bearing significant financial cost or risk fall within two models:

1) **Affiliation:** A formal arrangement in which GU directs students to the third-party partner's property similar to if it were part of the University's own inventory, and has some control of operations – typically related to student life (resident advisors, residential policies, etc.). The property is likely located off-campus at a site controlled by the partner, but could also be on University land leased to the partner. GU may choose to offer some guarantees and/or in-kind services in order to achieve the desired level of control and/or other benefits.
2) **Structured:** A not-for-profit entity (existing or new) issues tax-exempt debt to finance the project and its board, a majority of which may not represent GU, controls all facets of delivery and operations. The property is likely located on University land leased to the not-for-profit entity, but could also be off-campus. GU may choose to offer some guarantees and/or in-kind services in order to achieve the desired level of control. GU may also exert control through the terms of a ground lease.

Generally, these models result in the following ownership, delivery and operations responsibilities:

	Type	Ownership	Delivery	Operations	GU Participation

About the Authors

Eric D. Luskin, Senior Vice President and Principal, is a Certified Property Manager® and has over 30 years of experience in student housing administration, residence life programming and property management. His awards include the Dick Daines Memorial Award from Association of College and University Housing Officers – International (ACUHO-I) and the Michigan Property Manager of the Year Award from the Institute of Real Estate Management (IREM). Mr. Luskin currently serves on the AUCHO-I Certificate in Occupancy Management Task Force.

Jason A. Taylor, Vice President for Consulting Services, has twelve years combined experience in consulting, project management and marketing communications, all focused on campus housing. In addition to authoring a white paper and opinion article on public-private partnerships in student housing, he is a frequent speaker and panelist at industry and professional association conferences Mr. Taylor worked with over 70 educational institutions, not-for-profit foundations and developers on matters of demand and feasibility, program development, financial modeling and operations planning.

About Scion

The Scion Group is a real estate services provider with a single focus: student housing. Scion supplies facility and strategic planning, financial services, development consulting and operations assessments. Its team of experts offers the first-hand perspective of educators, operators and owners which enables our clients to create quality learning communities while improving financial performance. Scion combines state-of-the-art methods for real estate analysis and modeling with an understanding and sensitivity of the unique nature, mission and specialized considerations of colleges, universities and other not-for-profit entities. Scion has been engaged to perform consulting services in more than 100 campus markets throughout the United States, as well as in Canada, Mexico and the U.K.