

**Minutes of the Special Meeting of the Board of Regents Finance Committee  
Murray State University  
May 26, 2022**

**Call to Order/Roll Call**

The Murray State University (MSU) Board of Regents Finance Committee met in Special Session on Thursday, May 26, 2022, in Room 118 Wells Hall on the Murray State University main campus. Finance Committee Chair Leon Owens called the meeting to order at 8:30 a.m. and welcomed those joining in person and via videoconference. Secretary Hunt called the roll and the following Finance Committee members were present: Eric Crigler, Leon Owens, Lisa Rudolph, Melony Shemberger and Don Tharpe (via videoconference). Other Regents joining the meeting in person included Jessica Evans, Ian Puckett, Tom Waldrop and Virginia Gray (via videoconference). Regent Fitch was unable to attend the meeting.

Others participating in the meeting were: Robert L (Bob) Jackson, President; Jill Hunt, Senior Executive Coordinator for the President, Coordinator for Board Relations and Secretary to the Board; Tim Todd, Provost and Vice President for Academic Affairs; Jackie Dudley, Vice President for Finance and Administrative Services and Treasurer to the Board; Don Robertson, Vice President for Student Affairs and Enrollment Management; Robert Miller, General Counsel; David Looney, Executive Director of Auxiliary Services; Jordan Smith, Executive Director of Governmental and Institutional Relations; Shawn Touney, Executive Director of Marketing and Communication; Information Technology staff and members of the general public and news media. Ryan Jensen with Brailsford and Dunlavey and Jeremy Doss with RISE joined the meeting via videoconference.

Chair Owens reported that the Public-Private Partnership (P3) initiative being considered today has been ongoing since 2019. Many individuals have been involved in this discussion and a great deal of time and effort has been expended to provide information to the Board to allow for deliberations relative to this partnership. Action being requested today represents the next, not final, step in the process.

**AGENDA**

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| <b>1. <u>Call to Order</u></b>   | <b>Chair Owens</b>    |
| <b>2. <u>Roll Call</u></b>   | <b>Secretary Hunt</b> |
| <b>3. <u>Committee Reports/Recommendations</u></b>   |                       |
| <b>A. Finance Committee</b>  | <b>Chair Owens</b>    |
| <b>1) Public-Private Partnership (P3) Pre-Development Agreement Authorization and Contract Execution Approval*</b> |                       |
| <b>4. <u>Adjournment</u></b>   | <b>Chair Owens</b>    |

**Public-Private Partnership Pre-Development Agreement, discussed**

President Jackson reported that the University has been considering pursuing a Public-Private Partnership for improvements to housing and dining operations on campus since 2019. The pandemic slowed this work but efforts in this regard commenced again many months ago utilizing a collaborative process involving faculty, staff and students. Appreciation was expressed to faculty, staff and student representatives who have assisted with and been a part of this process. The next step in the P3 process will be considered today and an extensive, final Pre-Development Agreement (PDA) will be presented to the full Board for consideration in the fall. Appreciation was expressed to General Counsel Miller, Vice President Dudley, Mr. Looney and many others who have lived, breathed and spent a great deal of time for many months over the last few years as this process has unfolded.

Vice President Dudley reported that P3 initiatives have previously been discussed with the Board on many occasions but Finance Committee action being requested today represents a significant next step in that process. The process utilized related to P3 projects includes the Operational Committee composed of faculty, staff and students who have been involved with daily activities in working with

the larger Stakeholder Committee to identify the desired outcomes in regard to housing and dining facilities design and functionality.

Murray State is seeking a partner to develop, design, build, finance and potentially operate and maintain student housing and dining facilities on campus to assist with the recruitment and retention of the residential student population. This goal has remained at the forefront with regard to room and space design. Before a P3 project can begin, Springer II (old Franklin) will need to be razed and the Board approved this action at the March 11, 2022, Quarterly Meeting and also authorized the President or his designee to begin negotiations with the best suited developer and necessary partners for the Public-Private Partnership with the goal of finalizing a Pre-Development Agreement for review and approval. Remediation is currently underway in old Franklin and that work is between 60-70 percent complete. Once this process is finished, work will begin to raze the building beginning in approximately the second week of June. The University has already received a bid to raze this building, in addition to a small house on Waldrop the Board previously approved to be razed (former home of the Economic Development Corporation).

The goal of reviewing the potential of a P3 arrangement is to make it as efficient and cost effective as possible and gain the expertise of a partner(s) that has undertaken many such projects. The project will include the University sharing risks with the developer (RISE) for upfront costs, budget, operations and schedule. It will also leverage the developer's experience and expertise in construction and efficiencies will be gained as project costs are typically less when one developer manages all subcontracts. Utilizing this process will also streamline University facility, procurement, legal and financial involvement; realize quicker time to opening dates; obtain efficiencies due to financial model; reduce impact on debt capacity of the University and Commonwealth; complete new, state-of-the-art facilities to meet student needs today to support recruitment and retention and replace facilities with major needs where modernization would be challenging and very costly for 60-year-old buildings.

The scope of the project has remained the same since the beginning but has now been more refined. Mr. Looney reported that the scope is to construct two residence halls north of Hart Hall. Currently, the plan is for each residence hall to have approximately 309 beds to replace 528 beds in Hart Hall and 324 beds in Springer II/old Franklin and this will produce mirror buildings of the right size for Murray State. The buildings will be four-story, steel frame structures with common spaces, kitchens, student areas and a mix of room types (two-bedroom/one-bathroom suites), four-bedroom/two-bathroom suites and rooms meeting Americans with Disabilities Act (ADA) accommodation needs. Confirmation was provided that each building will have a mix of available room type. Discussions are occurring with key stakeholders, including the Residential College program, to ensure student needs are met. There is also an opportunity to enhance the residential college green space once Hart Hall is razed. As enrollment continues to grow, spaces for future projects have been identified as part of potential Phase II work. In terms of how the building will reflect the concept of space for the Residential College Heads, confirmation was provided that meetings have been held with a representative for these individuals and Vice President Robertson to determine what is needed to ensure a successful Residential College program. The Residential College Heads talked a lot about community needs in the residence halls. As a result, collision or interaction space is included in the plans for the new facilities and these areas have been moved to high-visibility locations within the building. The Residential College Heads are concerned about how students interact and engage and high-visibility common spaces in front of the elevators are being planned instead of being located throughout the building. Confirmation was provided that there will be office space for the Residential College Heads but it will not be at the front door. That space instead needs to represent an area where students can walk into their residential college and see activities occurring and this configuration has been planned based on feedback received from Resident Advisors and student occupants. For this reason, the plan includes more central locations for the game room, kitchens, laundry rooms and public restrooms so they are highly visible. Residential College Heads also requested private spaces to meet with students and that request is also reflected in the plans.

Work has also been undertaken to design a replacement dining hall for Winslow and the new facility will be located on the site where Springer II is being razed. This sloping site presented an opportunity to construct a three-level structure and designs are progressing. The dining hall is designed to look like a food court with seating for 550 on the main floor, compared to Winslow with a seating capacity of 575. The new dining hall will also include outdoor dining spaces designed around the facility. The food court design will allow venues to change as student needs evolve without having to redesign the entire space. Once Hart Hall is razed, students will be able to sit in the dining hall and look out large glass windows onto green space once developed on the former Hart Hall site. The ceiling will be open

concept and allow for a great deal of natural light to flow into the building. The green space will also provide an inviting atmosphere for outside activities and relaxing. The second floor of the dining hall has been designed to be utilized for meeting space with a separate entrance and will have flexibility for a large meeting space or smaller, more intimate spaces. The second floor could also be utilized for overflow seating for events such as Midnight Breakfast and Homecoming activities. The dining hall will have a different look and feel than Winslow and will contain a mix of spaces. The students who served on the Stakeholder Committee identified the need for additional meeting spaces other than what is available in the Curris Center. The upper level of the new dining hall will also look out upon the green space that will be created once Hart Hall is razed. Confirmation was provided that the building is designed to allow for expansion on the north side if needed in the future. It was expressed that students will like the proposed layout and variety of food options. Mr. Looney attended almost all Student Government Association (SGA) meetings where it was clear students want dining options. Mr. Looney indicated he has been doing this work for a long time but the students on the Stakeholder Committee and SGA have been the most interactive groups he has ever participated with in his career and they provided invaluable feedback.

The lower level of the new dining hall will exit out facing Gilbert Graves Drive at the ground level. There will also be an entrance from the lawn area into the main dining hall and the upper level will also have a separate entrance. The primary focus of the lower level is to relocate housing, dining and auxiliary offices, as well as the Racer Card office and Fast Track, to provide a central location for students to access these services. Confirmation was provided that there will be parking for students who do not live on campus. ADA access has also represented a key component of the work undertaken. The incoming SGA President – Ellie McGowan – has been very intentional with regard to ADA access in the new buildings so this being included is very much appreciated.

This project will impact the parking spaces currently located around Hart Hall but one of the requirements for this project was that there would be a net neutral effect on parking. Parking is being moved from the middle of the Hart Hall space to the outside of the new buildings and appropriate locations have been identified. Confirmation was provided that access for emergency vehicles has also been taken into consideration as part of the design process. Vice President Dudley reminded the Board that removing interior parking in these areas has been part of the Campus Master Plan for some time in an effort to reduce the risk of pedestrian-traffic conflicts. A map showing the location of the replacement parking areas was provided. Development of the green space within the residential college complex will allow for more Homecoming and Move-In events, in addition to other opportunities for social interaction in a central location to where students are living. The project also includes plans to raze Winslow Dining Hall once the new facility is completed, further enhancing green space on the residential side of campus. Students have clearly conveyed that when they cross the pedestrian bridge they want to be able to disconnect from academics and unwind in an area that feels more like home. Confirmation was provided that there is currently sufficient parking for the residence halls, although it may not necessarily be located right in front of buildings. For most students, it is less than a five-minute walk from parking to the residential college area and this does not solely involve parking in the Stewart Stadium lot. Confirmation was provided that economy parking options will remain at Stewart Stadium. President Jackson added that the lighting plan that has been developed for campus will further enhance these parking areas from a safety standpoint as this is important to families and students. Confirmation was provided that the University has been very intentional in identifying ways students can live, work and play on campus without ever having to get into their vehicles. The Franklin Drive parking area will remain and will contain ADA parking and allow for emergency vehicle access. The two new residence halls will have a sweeping curve in front which will allow students to pull up and drop off their belongings and then park. The Racer Walk that will result from this work will allow students to go from Franklin College to Stewart Stadium, the Wellness Center and the CFSSB Center in a safe, well-lit environment. Renderings of the green space and new dining hall to be developed were provided. A great deal of discussion has centered on how to accessorize the green space to develop areas where students can gather and interact and this includes a courtyard in the middle that can be utilized for residential college and other events.

Vice President Dudley outlined the project structure for the new residence halls and dining facility. The University will partner with a 501(c)(3) non-profit foundation to finance the buildings. The developer – RISE – would also be party to that agreement. From the University's standpoint, there would be a relationship between these three parties. Murray State would not have a contract with an Architectural and Engineering (A&E) firm or a General Contractor as those components would be handled by the developer. A great deal of discussion has occurred with regard to schedule variables and those include negotiating and finalizing all components of this work, obtaining Board approval on

the PDA and the financial closing/land lease agreement, meeting key dates, unknown land conditions, developer partners/subcontractors supply of labor and materials, state code approvals and inspections. All buildings are planned to be opened by fall 2024. The University and RISE will continue to work to minimize these variables as much as possible but there are situations that will be out of the developer and institution's control. Confirmation was provided that the work of the Stakeholder Committee is completed in terms of the residence halls but that group will likely be involved in further dining hall deliberations – although a final design is close to being chosen.

The University's Operational Committee members, RISE, the A&E firm and contractors have been meeting weekly since mid-April 2022 to develop schematic designs for the residence halls and dining facility, including parking lot replacement locations and preliminary discussions on landscaping improvements. This work is necessary and will continue to ensure variables are minimized and deadlines are met. RISE has been provided with a License Agreement which is basically a land access agreement for the purpose of conducting geotechnical exploration services, surveying, Phase I Environmental Risk Assessment and any other services supplemental or related to those activities in order for the University to ensure liabilities are minimized.

Vice President Dudley provided a summary of next steps. Overall, the model being utilized is similar to the one used for Sodexo and SSC negotiations and agreements. This process today represents the next step and is not the final agreement which will include lease of the property and financing when actual construction will begin. The Finance Committee is not being asked to approve the construction agreement and the project will not move forward until the final PDA is in place. The action being requested today will allow the University to begin assuming risk. If requested action is approved, work will begin to engage in a 501(c)(3) through the bid process and a partner will be chosen. Work will then begin on the final PDA which will be presented to the Board for approval in the fall. Confirmation was provided that even though the developer handles a lot of the steps leading up to the final agreement, the University still has input into the final 501(c)(3) and will choose the appropriate partner. Confirmation was provided that University staff have visited projects completed by RISE and additional visits are planned. An option has been identified in terms of the best financing model to be utilized but that could change as this process further unfolds. Any option chosen will represent the best value for Murray State and this remains the overall goal. President Jackson provided confirmation that a Master Lease arrangement may be an option at some point, especially considering financial market volatilities.

Although a Pre-Development Agreement has not been finalized between Murray State and RISE, the structure of any such agreement was outlined. General Counsel Miller reported that a general construction project includes the first step of the University engaging an A&E firm to design plans. Once those plans are completed, a Request for Proposals would be issued for a General Contractor to enable the project to move forward and the University would pay the engineer and architect along the way. The P3 arrangement being proposed today differs in that there is one developer – RISE – and the University would engage that entity to perform Phase I services and this work has already begun. If the project goes to completion and is financed, all of the pre-development costs RISE has incurred will roll into the overall cost of the project. The University is not paying invoices while all of these pre-development services are occurring but instead those costs become part of the agreement being finalized. Counsel for RISE has been professional and responsive and their efforts are appreciated.

The Pre-Development Agreement is close to being finalized and will be presented to the full Board for consideration at the Quarterly Meeting next week. The PDA outlines the scope of work to be undertaken and a determination made in terms of how the risk will be shared for Phase I of this project. Conceptually, agreement has been reached on the important terms of the contract but a few remaining details are being addressed. Objectives that the University and RISE have been trying to meet were outlined and the framework in that regard was presented. As an example, a determination is being made in terms of what happens if the University decides to go in a different direction or the project cannot be financed due to market vulnerability and how pre-development costs would be handled. It is not expected that these things will occur but Counsel must plan appropriately while maintaining the momentum of this great project. Costs that are being incurred now by RISE are not paid by the University if the project moves forward but will be included in the financing model selected. Services are currently being rendered by RISE because they want to meet the University's timeline. RISE is undertaking this work at risk to themselves with the expectation that the PDA will be finalized. Work that has been undertaken by RISE this spring will be included in the overall pre-development costs for the project as part of the final PDA. Confirmation was provided that the University will own the work product that has resulted from RISE efforts even if the project does not move forward. If for some

reason the project does not move forward, such as unfavorable interest rates, Murray State will be required to pay for any services rendered to this point. This is similar to the work product the University would have if it undertook this work internally.

General Counsel Miller confirmed that RISE has worked with the University to ensure it has representation throughout the construction process. The University is not a silent partner but is a full participant – the same as it would be if the regular construction process was being utilized. Clarification was provided that Murray State is not securing financing with the Pre-Development Agreement but it will include the statement that the University intends to secure financing through a 501(c)(3) to proceed with the project through final financial close/land lease. Confirmation was provided that in order to secure financing through the 501(c)(3), plans and designs being developed by RISE must be available to the University so the feasibility of the cost of financing can be determined. President Jackson added that the national expertise of Brailsford and Dunlavey and RISE has been invaluable as part of this process in terms of identifying best practices from numerous projects. All of the financing structures that could be contemplated or used will be through the affiliated foundation model. A Ground Lease will also be issued allowing a contractor to build the facility on the proposed site.

Regent Crigler indicated that this project has been in process for a number of years. During that time interest rates have been very low and the environment has been fairly tame in terms of being able to project construction costs. The University must be able to meet certain rental rates for students in order to be competitive in the market. If interest rates go up further and construction costs continue to increase, it was asked how close the University is to the point of having to make material changes to the project in order to continue to meet the required range of acceptable rental rates. Ryan Jensen (Brailsford and Dunlavey) and Jeremy Doss (RISE) indicated this is an issue that is true and must be addressed with all projects nationally. The instability of interest rates and construction costs has been known for some time and care has been taken to ensure appropriate contingencies and plans are in place to ensure instability can be managed. They are close to securing updated pricing but this will represent a key component of this work relative to schematic designs in order to determine necessary financing and available options. RISE has the experience needed to identify solutions to be responsive to the needs of the University. Confirmation was provided that the market is quickly changing and fluid on a daily basis from the construction and interest rate perspective. As design continues, in order to ensure the University's delivery schedule of August 2024 can be met, the bond needs to be closed to commence construction by the end of the year. From an historical perspective and cost of capital, this project should not go through the bond market any later than December 13, 2022. Otherwise, it would be after January 15, 2023, to have the appropriate entry and best odds of maximizing value in the bond market. From a construction schedule standpoint, the December bond closing is needed in order to sequence everything out to ensure project completion by August 2024.

RISE is working toward the schematic design to set the lines of the building, square footage and overall scope as previously outlined. The market will then be engaged from not only a conceptual basis and historical unit pricing, but from the actual scope of the Murray State project. RISE will also forecast interest rates and determine how best to adhere to necessary rental rates for MSU students. There are various mechanisms that can be utilized as RISE navigates throughout material selection to determine the most advantageous and available options. This work also includes operating efficiencies and all must be flexible in this regard based on continuing to analyze the market and considering the project on a stand-alone basis, cost of capital and the pros and cons of increased University participation in the project. Before arriving at a Master Lease, guaranteeing investors that the University will take occupancy risks will lower the cost of capital and there are other levers that can be pulled to enhance the lower cost of capital for the project. All of these items are in place and continue to be analyzed to navigate the unique market situation which currently exists. More market stability is expected by December, if not before, and this will be monitored on a daily, ongoing basis.

Chair Crigler asked if the risk to the University in terms of changes for the project is through financing, not through the final PDA agreement that will be approved in August or September, and confirmation was provided in this regard. There has been less activity in the bond market the last two weeks due to the volatility of the stock market. Confirmation was provided that contingency has been built into the project based on RISE estimates and this will continue through the design, development and firming up process and that will tighten down toward the finish line.

Confirmation was provided that at this time the University is within the boundaries of where room rates need to be and is not near the point of not being able to move forward. This project has been

undertaken in the most conservative manner possible – meaning it has been based on a project stand-alone basis with no University participation. The bond investors are being asked to underwrite the demand for student housing that is being brought to market at the needed rental rate and the institution's overall story. How this needs to operate and perform in order to make the investors whole was outlined. There is a lot of room to navigate changes in the market and increased University participation will lower debt service coverage which will also lead to a lowering of the interest rate associated with the bonds. This provides a tremendous amount of flexibility that will help RISE navigate the financial markets through the process.

Vice President Dudley confirmed that as she understands the statute, a P3 arrangement can contain multiple types of financing options. The University will need to go back to the state with the final Pre-Development Agreement for approval before construction can proceed. President Jackson confirmed that the statute granting a public-private partnership arrangement is very flexible in regard to different models that can be utilized. The University has authorization through the General Assembly for the P3 arrangement but the actual contract must be presented to the appropriate committee at the state level for final approval.

A graphic of the footprint of the residence halls and dining facility was presented and outlined in terms of where they will be located, the associated parking areas and scope of the construction site. A Pre-Development Cost Schedule was also provided. Costs included on this schedule are those related to A&E, surveys and permit and developer fees and the associated total was provided. The data was broken out by month and the University is currently in Month 1. RISE has already incurred many costs for the work they have undertaken as part of the design process and those costs will have accrued. At each level, if the project were to be halted before final close, an amount was provided that represents the University's obligation. If the agreement were to end, the University would be obligated to pay actual costs incurred at that point in time. These costs include the developer's fee and RISE would be at risk at 50 percent. If the project moves forward, all costs will be included in the financing arrangement chosen and paid accordingly. If the University was handling this process, the project would go out for bid at this point. With RISE handling the project, construction would begin immediately. RISE will provide the University with a schedule of costs incurred as this process moves forward and until a financing plan is secured.

The Phase I project schedule was also presented and all must adhere to this schedule in order to meet the fall 2024 occupancy deadline. At this time, the plan is for construction to begin on December 8, 2022. As soon as the Board approves a final Pre-Development Agreement, the Ground Lease is executed and the bond closing has occurred, construction can begin, barring any difficulty with weather and taking Finals Week into consideration. Confirmation was provided that this represents a normal timeline for these types of projects. A soft start is planned until exams are over. Work will then be undertaken to install fencing and rearrange signage and parking so when students return in the spring 2023 everything is set up and ready with as little disruption to campus as possible. Communication regarding these changes will be distributed throughout the fall semester, particularly for students who live in the residential complex area. In terms of when this project will be announced to the public, President Jackson indicated it will likely be done once the Board approves the final Pre-Development Agreement this fall. This represents a major transformational event on campus and needs to be recognized and highlighted in a suitable manner. Renderings will be provided to campus constituencies in centrally-displayed locations. Regent Crigler recognizes that RISE has undertaken a number of these projects but 18 months seems to be a tight schedule. Mr. Doss agreed that an aggressive timeline has been presented, which is the norm, but that varies dependent on the scope of the project, region of the country and other variables. All these variables were taken into consideration as the construction schedule was developed and RISE feels confident with the delivery schedule presented.

Mr. Doss gave a presentation on projects RISE has undertaken. The Murray State project fits particularly well within their wheelhouse, primarily related to student housing since 1995, for mainstream Tier I institutions. The single-contract P3 approach to deliver these facilities and delegate the delivery risk to a third-party partner is proposed. The housing schedule cannot be missed due to its critical nature to campus and the lack of available housing options should the schedule be delayed. Once financing closes, RISE is guaranteeing the budget and has developed the associated schedule and responsibility falls to them if they do not deliver. To date, RISE has done over \$3.5 billion in facilities, with total of 55,000 beds, and manages through a partnership almost 11,000 student housing beds. RISE has also been involved with parking deck structures and campus dining and campus retail facilities (430,000 square feet). There is currently a great deal of opportunity in California but RISE

has purposely decided not to pursue that work and focus on work along the eastern seaboard and throughout the southeast in order to bring its skill set and work closer to home. Over the past 26 years in the southeast, RISE has over \$2.5 billion in development value and 70 of 97 projects being undertaken are within the southeast region. Team members are assembled for each project to ensure value is maximized while increasing the odds for success. Notable projects include those at Louisiana State University, University of Georgia-East Campus, Appalachian State University in North Carolina, University of North Georgia-Dahlonega and the University of Louisiana-Lafayette. University staff will be touring the Appalachian State project soon as it is very similar to what is being proposed for Murray State. It is beneficial to be able to identify criteria early in the process so developers can move forward with confidence. Two recent projects have been featured on the cover of *Student Housing Business* which is the magazine for the industry. A breakdown of team members dedicated to the Murray State project was also provided. Appreciation was expressed to the Board for trusting RISE and its team with this tremendous project. The involvement of Murray State personnel has been invaluable throughout this process and RISE has been confident in the understanding of individuals involved as part of this truly collaborate effort.

Chair Owens expressed appreciation to Vice President Dudley, General Counsel Miller, Mr. Looney and the University's partners from RISE. This project will represent a campus transformational moment and a legacy for the Board and administration. The expertise of this Board, particularly from a real estate and financial management standpoint, is very much appreciated as it only enhances the project.

**Public-Private Partnership (P3) Pre-Development Agreement, approved and authorized**

On behalf of the Finance Committee, Regent Crigler moved that the Board of Regents Finance Committee, upon the recommendation of the President of the University:

- 1) Approve the President and/or his designee(s) to execute a Pre-Development Services Agreement, as presented in this action, with Rise Development, LLC; and
- 2) Authorize the President to proceed with the development of a suitable financing model and Land Lease Agreement with a goal to finalize both in the late fall 2022 for approval of the Board before executing any final agreement(s).

Regent Tharpe seconded and the motion carried unanimously.

Regent Waldrop expressed appreciation for the amount of information that has been made available to the Finance Committee and to all the professionals involved in this work as it gives the Committee confidence in being able to make this decision.

**Adjournment**

There being no further business to come before the Board of Regents Finance Committee, Chair Owens solicited a motion for adjournment. Regent Shemberger so moved, seconded by Regent Rudolph, and the motion carried unanimously. Adjournment was at 10:10 a.m.

  
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Leon Owens – Finance Committee Chair

  
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Secretary Jill Hunt

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