

CI 2025: Implementation Strategy Goals, Objectives & Key Issues

Prepared for California State University, Channel Islands
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Channel Islands
CALIFORNIA STATE UNIVERSITY

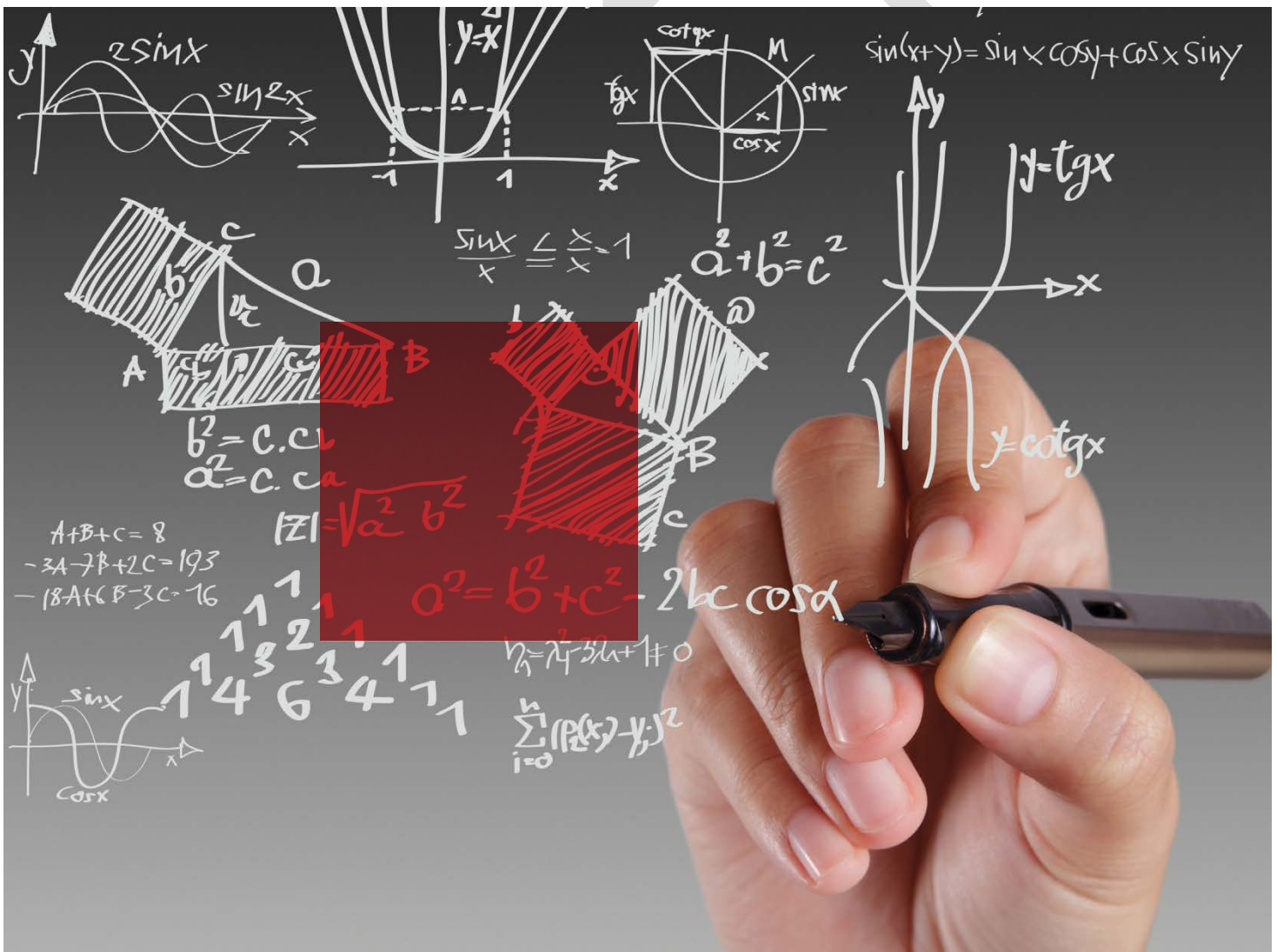


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I. Executive Summary

California State University Channel Islands (CI) has developed a 2025 Vision Plan that establishes guiding principles and improvements required on its approximate 1,200-acre campus (305 acres developable) during the next 10 years to double student enrollment from 5,000 to 10,000 Full-Time Equivalents (FTES). Ultimately, the campus is anticipated to accommodate an enrollment of 15,000 FTES upon full build-out. To assist the university in exploring alternative approaches to campus development, Jones Lang LaSalle (JLL) was engaged by CI in a two-phased study to identify and analyze the feasibility of various space programming alternatives real estate, financing, and marketing strategies that the university could pursue to implement its Vision Plan within the current economic environment of highly constrained state funding. The JLL team also includes two primary sub-contractors of SCB Architects and AECOM. SCB was tasked with providing program analysis for various campus buildings and conceptual design for the Wellness/Recreation/Events Center complex.. AECOM was tasked with providing infrastructure assessments, cost estimating, and a market demand study to test the feasibility of a proposed Events Center.

This report provides CI with the key findings that the JLL team has learned to date from its stakeholder meetings and review of background documents provided by CI staff. Specifically included in the sections that follow are the primary goals and objectives required to successfully implement the Vision Plan, the relevant findings thus far, and the key implications of those findings for focusing the ongoing JLL team analysis. This ongoing analysis will result in a final report containing three alternative scenarios for how to approach implementation of the mid- and near-term projects included in the Vision Plan. CI 2025 will include phasing strategies, potential funding sources, cost reduction strategies, alternative procurement and delivery methods, opportunities for new development and partnerships, and marketing strategies for attracting potential funding and/or development partners. This report identifies the following eleven (11) major categories for evaluation and inclusion in the development vision.

1. *State Budget and Legislative Changes*
2. *Student Enrollment Growth*
3. *Student Housing*
4. *CI 2025 : Near-Term and Mid-Term Projects*
5. *Site Authority (SA)*
6. *Wellness and Recreation Center / Events Center*
7. *Parking*
8. *Campus Events*
9. *Financial Partnerships with Local Governments and Businesses*
10. *Student Health Care and Child Care*
11. *Student Life*

II. Background

The California State University (CSU) system serves a total of 445,000 undergraduate and graduate students at its 23 campuses located across the state. In 2013-14, CSU received \$5.5 billion in core State funding (\$2.8 billion General Fund support and \$2.7 billion student fee revenue). The uses of core operating funds are determined by the CSU Trustees, CSU Chancellor's Office, and individual campus presidents.

CI, a four-year, public university in Camarillo, California was established in 2002, and is the youngest of 23 campuses in the CSU system. CI is a beautiful Mission Revival-style campus with mature landscaping located in a unique natural setting nestled between the foothills, abundant agricultural fields and the Pacific Ocean. CI also enjoys a unique proximity to numerous high-tech companies, medical centers, the Los Angeles arts and entertainment industry, several affluent communities, and the shopping and dining offerings of nearby Camarillo.

The university has developed CI 2025, a vision plan ("Vision Plan") to double student enrollment from 5,000 to 10,000 Full-Time Equivalents (FTES). The Vision Plan establishes guiding principles and objectives while outlining the physical improvements required on its approximate 1,200-acre campus (305 acres developable) during the next 10 years to achieve this enrollment goal. A key component of this vision is to support the development in a manner that uses sustainable design to provide buildings and grounds that cultivate a superior quality education, while, at the same time, enhancing a multi-cultural and stimulating educational environment with an international perspective. The development will strive to respect and reinforce CI's Four Pillars:

- **International**—an internationalized curriculum, a diverse campus community, and studying abroad opportunities
- **Integrative**—CI's signature interdisciplinary approach
- **Multicultural**—a campus that reflects the real world; a curriculum that prepares students for it
- **Community engagement**—valuable experience students need and a chance to make the world better

Academically, the university is very focused on providing a rich interdisciplinary learning environment and has set a diverse set of curriculum priorities such as science, engineering, technology, education, nursing, communication and the performing arts. A more detailed strategy for instructional focus and growth will be included in the university's Academic Plan that is currently being drafted. To support the enrollment growth, capital expansion is needed for student housing options, parking, an athletics facility and events center, a performing arts venue and additional inter-disciplinary academic/research space.

With state funding cutbacks and new methods for funding capital improvements, the university does not anticipate sufficient access to traditional funding necessary to build the facilities needed to support the next decade's enrollment growth target in the Vision Plan. The university has also experienced constraints in tuition funding – of the 15,000 applications received from students, only 1,800 new freshmen were admitted in the fall 2014 semester.

To assist the university in exploring alternative approaches to campus development, Jones Lang LaSalle (JLL) was engaged by CI in May, 2014, for a two-phased study to identify and analyze the feasibility of various design, real estate, financing and marketing strategies that the university may wish to pursue to implement its Vision Plan in light of the current economic environment of constrained state funding for campus expansion. The JLL team also includes two primary sub-contractors of SCB Architects and AECOM. SCB was tasked with providing program analysis and conceptual design for the Wellness/Recreation/Events Center complex. AECOM was tasked with providing infrastructure assessments, cost estimating, and a market demand study to test the feasibility of a proposed Events Center.

The first phase of this project, summarized in this report, is intended to clearly define objectives critical to the success of the Vision Plan in order to establish a prioritized development vision to support a financial strategy. The objectives are followed by key implications that the JLL team's findings shall have on the analysis and formation of CI 2025.

III. Methodology

The analysis in this phase involved the following components:

- Multiple interviews with campus stakeholders;
- Analysis of the university's programmatic priorities;
- Analysis of university facility operations, debt and financial capabilities;
- Analysis of the operations and financial performance of the Site Authority;
- Analysis of current market demand for student housing, retail and other potential revenue-generating land uses;
- Analysis of demand for market rate housing in University Glen and the testing of various product mixes in addition to the mix contemplated in the Master Plan;
- Program development, conceptual design, cost estimating and market feasibility for a proposed Wellness/Recreation Center and Events Center complex; and
- Analysis of various funding mechanisms available to the University to fund capital improvements, including
 - State funding;
 - bonds;
 - the Site Authority;
 - partnerships with public and private entities;
 - student fees; and
 - externally generated revenues.

To support its analysis, the JLL team conducted numerous interview sessions with on-campus stakeholders including university staff, faculty, representatives from the CSU Chancellor's Office, and Site Authority board members. Notes from the interview sessions are included in the appendices to this report. CI staff also provided the JLL team with a significant volume of relevant background documents to assist the team in its understanding of the current situation to provide focus for this analysis. From the interviews and review of the background information, the JLL team garnered a thorough understanding of the Vision Plan, goals and objectives, priorities, potential opportunities, challenges and key issues facing CI. The following section summarizes those findings and the JLL team's proposed approach to identifying up to three alternative scenarios of a development vision to use as a road map for implementation.

IV. Relevant Findings, Goals & Objectives, and Implications for Analysis

This section outlines the major components to be assessed in order to prepare a development vision that articulates CI's goals and objectives and to provide an implementation strategy to accomplish those goals. The focus of the assessment will be on the near- and mid-term projects identified in the Vision Plan, relevant information derived from the JLL team interviews with university stakeholders, and the background information provided by CI staff. This section summarizes the primary goals and objectives, organized by implementation component, that have been identified. The goals and objectives are then followed by the relevant findings by the JLL team and implications of the findings for directing the focus of the JLL team analysis.

A. Goals and Objectives

1. State Budget and Legislative Changes

In light of the diminished and unpredictable future funding from the State, CI seeks to explore and secure new funding sources for capital campus expansion and Site Authority debt reduction.

2. Student Enrollment Growth

CI seeks to be able to accommodate an estimated student enrollment growth of an average 8% per year to double its enrollment target to 10,000 FTES by 2025. CI also targets growth in the number of graduate programs offered, and correspondingly the number of graduate students. CI staff also intends to develop marketing platforms and networks to attract more foreign and out-of-state students.

3. Student Housing

CI's Office of the President and the Vision Plan have established a goal of being able to provide between 25% to 30% of enrolled students with on-campus housing options. It is critical that the Santa Rosa Village complex and its 600 new beds be delivered and available for the fall 2016 semester. CI also desires that the availability of on-campus housing inventory and associated amenities correspond with increases in student enrollment.

CI also has a desire to incorporate learning spaces, additional meal services, communal living spaces, and amenities found in off-campus apartment complexes in future on-campus student housing developments.

4. 2025 Vision Plan: Near-Term and Mid-Term Projects

The JLL team has learned that a significant amount of infrastructure improvements will be required to accommodate the near-term and mid-term projects included in the Vision Plan. Identifying funding sources for these improvements will also be important.

While student fees, if approved by students, can assist in financing certain new facilities such as athletics and fitness centers, they are not typically used to fund academic or administrative buildings. The total of all mandatory campus-based fees was \$1,001 per year per full time undergraduate student in 2013-14, slightly less than the CSU average of \$1,223. These amounts do not include discretionary or campus-specific fees such as parking permits or special facilities or services fees. Therefore, CI seeks to identify up to three alternative development visions and implementation strategies for funding the Vision Plan projects. CI also desires to fully understand the potential risks associated with each alternative, as well as other non-financial factors that may influence decision making.

CI desires confirmation, after considering all findings from stakeholder interviews and collected background information, that the projects identified as near-term and mid-term priorities in the Vision Plan will help advance the overall goals of the Vision Plan, Academic Plan, and Strategic Plan. Preliminary space programs and cost estimates for the Vision Plan projects are also desired.

CI faculty desires to create academic and research space that is inter-disciplinary, flexible, and multi-functional. Faculty has also expressed a need for more study space for commuting students, tutoring areas, flexible outdoor learning and performance spaces, multi-purpose computer labs, facilities for donor events, a day care and child development center, and more student life and recreation options.

5. Site Authority

CI desires to improve the current and future cash flow of the SA, transforming it from a net loss that requires advances from the Chancellor's Office into a financial benefit for the university through debt reduction and revenue growth strategies that have levels of risk which are acceptable to the SA, CI, and the CSU Chancellor's Office. CI also seeks to develop a list of new potential financing and development opportunities for the SA that could reduce existing costs of CI and/or generate new revenues for the SA and CI.

6. *Wellness and Recreation Center / Events Center*

CI seeks to create a comprehensive athletics, recreation, events and wellness center that may be developed and financed in a phased manner. The objective is for the complex to allow CI to build its athletics and sports-related academic programs, provide space for larger campus events, and integrate a proposed student wellness and health center within the complex, as well as, a future performing arts center. CI also desires for the proposed complex to provide opportunities for events that may be either hosted by, or attended by, community groups or regional residents or businesses in an effort to build greater awareness of, and connections with, the campus. Consistency with the campus design guidelines and Mission Revival architecture is also required in the complex's planning and design.

7. *Parking*

CI staff desire to create more on-campus parking in the mid-term to satisfy the university's growing enrollment and to explore innovative potential solutions to expand supply while avoiding rapid increases in student parking fees that could make the campus non-competitive with other schools. In addition, CI desires to promote environmental sustainability by mitigating demand for parking through creating availability and incentives for alternative modes of transportation such as a shuttle system linking the campus to public transit. The university's goal of increasing on-campus housing also supports parking mitigation by reducing the proportion of commuting students

8. *Campus Events*

In its efforts to secure new non-traditional funding sources to expand its campus, CI seeks to determine if greater net revenues could be earned through a more focused and strategic events program that leverages the campus' facilities during non-peak times. Examples of such events include K-12 athletic and cheerleader camps, corporate retreats, conferences and guest speakers, and community festivals. It also desires to understand how new proposed facilities might be used to increase revenue-generating activities.

9. *Financial Partnerships with Local Governments and Business*

CI desires to explore the potential of building upon the existing strong relationships it enjoys with governmental entities and businesses by considering mutually beneficial financial partnerships. Such collaborative opportunities may assist CI in achieving its student enrollment targets and provide high quality education while advancing the region's economic development and social objectives.

10. Student Health Care and Child Care

CI seeks an expanded student health services facility with at least six exam rooms (a 100% increase from the current three exam rooms), counseling offices, waiting areas, and longer hours of operation to better serve the students. The university also desires to develop an on-campus child development center to provide day care services for children of affiliated campus community members. The center may be funded through student and other fees.

11. Student Life

As CI expands and student enrollment grows, the campus seeks to ensure that student safety remains paramount and will be considered in design and operations of future academic, housing, and recreational facilities. CI also desires that student housing function as a learning facility with opportunities to create camaraderie among students and multicultural experiences. Student housing should have central social areas, learning spaces, and gender neutral restrooms. CI seeks to continuously monitor and forecast the needs and desires of students as technology and social culture change.

B. Relevant Findings

1. State Budget and Legislative Changes

In the State's FY 2014-15 education facilities budget, the Governor authorized the CSU system's support budget appropriation to assume the State's existing general and lease revenue bond debt service obligations and allow CSU to issue university revenue bonds for certain capital projects (similar to the University of California system). CSU is also permitted to restructure its existing lease revenue bond debt. While this new authority may help provide new funding in the long-term, for the next several years the CSU's financial capacity to issue new bonds will be limited.

New legislation also now permits a CSU campus to spend up to 12% of its general operating revenue on addressing capital improvements, facilities renewal projects, and deferred maintenance. Of course, doing so diminishes funds available for student programs, instructors, and services. In addition to State cuts in funding for capital improvements, Proposition 30 mandated a roll-back of in-state student tuition rates to those that were in effect for the 2011-12 academic year through 2016-17 (\$5,472 per semester system-wide for full-time undergraduate students). The Chancellor's Office has authorized a state-funded enrollment increase of 600 FTES for CI during the 2015 academic year.

2. Student Enrollment Growth

According to the *Almanac of Higher Education*, CI has had the greatest student enrollment growth rate among U.S. public master's institutions for the period 2002-2012¹. CI student enrollment for the fall 2014 semester is estimated at 5,200 FTES and is comprised of a culturally and economically diverse population. As the newest campus in the CSU system, CI is planning sustained enrollment growth during the next ten years. This growth is welcomed for two primary reasons: (a) to provide more California students, particularly those students residing in the Ventura County area or are underserved, with affordable quality higher education opportunities and a rich student life; and (b) create a more efficient and financially feasible operating platform to disperse the university's fixed expenses to a greater number of tuition- and fee-paying students.

The vast majority of students this academic year will be enrolled full time and fewer than 200 will be graduate students. That enrollment is planned to grow at an average annual rate of 8% to approximately 10,000 by year 2025. Roughly 73% of CI's students receive some form of financial aid. Despite the challenges faced by a new university and funding constraints, the graduation rate for first-time freshmen and community college transfers at CI has closely followed or slightly exceeded the overall average for CSU campuses at approximately 52% and 72%, respectively.

3. Student Housing

CI has current design capacity to house approximately 820 students on campus in two student housing developments, Anacapa Village and Santa Cruz Village. These beds accommodate only about 16.4% of the fall 2014 student enrollment. Because the demand for on-campus student housing has increased from 48% to 55% of all students (and nearly two-thirds of freshmen), CI staff has made modifications to numerous housing units on campus to accommodate more students but that has resulted in a less than desirable living and learning environment. To further address the short-term housing deficiency, CI staff has made Resident Assistants' (RA) beds available to the general student population and set aside 58 apartments at the nearby University Glen Town Center development to accommodate 112 students. By implementing bed compression and securing the University Glen units, CI is currently housing 1,250 students on campus. In addition, CI staff has negotiated agreements with apartment complexes and motels located in the nearby City of Camarillo to secure accommodations for more students.

The availability of off-campus rental housing for students is very tight in a local market that has constrained supply and increasing demand driven by an improving economy. JLL prepared an updated student housing market study in July 2014 that provided detailed evidence of the

¹ "Fastest Growing Colleges," *Almanac of Higher Education* 2014, (August 2014).

limited off-campus rental housing supply. With vacancy rates below 4%, this tight market is elevating rental housing costs rendering much of the housing unaffordable by CI students. The off-campus housing costs in Camarillo and Ventura County are significantly greater than those in the Los Angeles metropolitan area.

CI staff estimates a current student housing inventory shortfall of approximately 176 beds, increasing to a 440 bed shortfall in the 2015-16 academic year. University staff recently issued a Request for Proposals (RFP) to select a qualified development partner to design and construct approximately 600 new student beds (Santa Rosa Village) and expand the existing dining hall. The objective is for the new housing complex to be complete by fall 2016. With expected enrollment growth, CI staff estimates that an additional 432 beds will be required to meet on-campus housing demand in the 2017-18 academic year.

CI on-campus student housing rates for year 2014-15 range from approximately \$11,200 to \$14,000 for the two semesters, depending on unit type and meal plan. These rates are slightly greater than the CSU system-wide average but are favorable compared to off-campus housing costs when utilities, deposits, transportation costs, and meals are factored. The student housing fund generated approximately \$1.1 million in positive net cash flow during the 2013-14 academic year, which was deposited into the housing reserves account.

4. 2025 Vision Plan: Near-Term and Mid-Term Projects

To meet the academic needs of its growing student population, CI requires significantly more space for inter-disciplinary instruction, research labs, flexible computer labs, faculty office space, student tutoring and study rooms, and athletics facilities. Because the narrow footprints of the older Mission Revival-style buildings are not conducive for conversion to uses other than administrative office, new larger, more efficient buildings must be planned and constructed. As these buildings are planned and designed, the CSU building programming standards must be considered if State funding is to be provided. Because these standards have not been updated for current technology and the modern learning environment, CI may pursue a request of the Chancellor's Office to consider variances from the state's predefined code to create the most productive, cost-effective, and efficient learning environment possible.

To be delivered during the next five years, CI staff identified several high priority projects in the Vision Plan to accommodate enrollment growth projections, learning curriculums, and programs. These projects include the Santa Rosa Village student housing and dining expansion projects; the Science II Lab building; a health center that can accommodate the rapidly growing campus population; and a Wellness and Recreation Center (WRC) that accommodates indoor athletics and fitness. While not included in the Vision Plan, the build-out of phases 2A and 2B in the University Glen development is also important for improving the SA's financial stability.

The Vision Plan also identifies the following projects as mid-term for delivery during the next six-to-ten years: conference center; recreation and wellness center (this project has since been accelerated as a near-term priority); additional student housing; surface parking of approximately 1,000 stalls; retail; performing arts center; and an additional academic building. However, due to state funding constraints, non-traditional funding sources need to be identified to implement the Vision Plan objectives.

Significant amounts of infrastructure improvements, (such as new chillers, roads, parking lots, and utility relocations and undergrounding) must be implemented for certain new projects in the Vision Plan to be constructed and placed in service. The JLL team is continuing to collaborate with CI staff to fully understand the implications of the needed infrastructure, phasing, and the associated costs. These factors will be included in the alternative development vision scenarios presented at the conclusion of the team's assessment.

5. Site Authority

The Site Authority (SA) was established in 1998 through State legislation introduced by Senator Jack O'Connell, prior to the formal launch of the CI campus. The SA was created to assist in the conversion of the former State mental hospital into the new CSU campus facilitated by the financing and development of the commercial components of the campus (faculty and staff housing, retail, support functions, etc.). The SA leases its land and facilities at a cost of one dollar per year from the State of California pursuant to an Amended and Restated Ground Lease dated March 2007, expiring June 30, 2098. The lease may be extended for an additional 60 years. The Ground Lease also dictates the permitted uses and types of improvements on the leased premises.

The primary missions of the SA are to facilitate the transition from the former state hospital to the full build-out of the campus and create revenue sources to augment capital improvement funding.

The Board of Trustees has leased, pursuant to long-term agreements, certain university properties to the SA for strategic reasons. The SA was provided with special authorities that allow it to receive all property tax increment paid by users on SA properties (and sales tax from any CI properties) up to a total of \$250 million and invest those tax revenues in campus-related purposes. The JLL team is conducting market and financial feasibility analyses for several land use types to determine if additional commercial development on SA property could provide a new long-term revenue source for implementing the Vision Plan.

A separate but related entity, The Financing Authority, was created to issue bonds for capital improvements on behalf of the SA – its first issuance being the Mello-Roos financing for the University Glen infrastructure improvements. The SA and the Financing Authority are also

authorized to issue revenue bonds, develop infrastructure and other campus facilities, borrow funds and enter into public-private partnership agreements. The SA is governed by a seven-member Board of Directors that approves SA actions and typically does not require formal approval from the CSU Chancellor's Office or State legislature, but has historically sought informal acceptance of strategies from the Chancellor's Office.

Three major projects have been implemented by the SA since its inception: (1) the John Spoor Broome Library, (2) the campus cogeneration plant and, (3) the University Glen residential master planned community. Debt issued or assumed by the SA in relation to these projects has driven the SA into a negative cash flow and net worth situation requiring annual cash advances from the CSU Chancellor's Office to fund shortfalls.

The SA assumed university bond debt for design and construction of the Broome Library totaling \$64.24 million that required an annual debt service payment in May 2014 of approximately \$3.8 million. The SA has no dedicated source from which to fund the library's annual debt service payments since the library does not generate revenues.

The SA has also issued its own infrastructure and revenue bonds totaling \$139.67 million that funded the entire infrastructure improvements at University Glen (Phases 1 and 2) and the first phase of University Glen apartments and rental townhomes. The annual debt service payment on these bonds in May 2014 totaled nearly \$7.8 million. A portion of this debt service is offset by special Mello-Roos assessments paid by the University Glen homeowners and the apartment complexes.

The SA is expected to have sufficient revenues to pay only about \$7 million of the 2014 bond debt service while the net operating revenues of the Cogeneration Power Plant paid about \$2.5 million, requiring a \$2 million advance from the Chancellor's Office to fund the gap. If the SA maintains the status quo, revenues will not keep pace with its projected debt service payment increases of approximately \$300,000 to \$500,000 each year through 2032 (at which time the original infrastructure bonds will be retired).

John Spoor Broome Library

The SA entered into an agreement with the university in 2005 to pay the university's revenue bond debt in the amount of \$64.2 million to design and construct the John Spoor Broome Library. The annual debt service payment on the library bonds in May 2014 was roughly \$3.8 million. Cash flow from the University Glen development was intended to pay for the debt service on the new library bonds. The University Glen development, for various reasons, did not realize the revenues it was estimated to generate (see below). Therefore, CI seeks potential solutions to reduce or fund the debt service obligations for the library to improve the SA's cash flow.

Cogeneration Power Plant

The 28,040 kilowatt cogeneration plant was originally constructed and operated by OLS Energy-Camarillo (OLS) on property that was owned by the State of California pursuant to a ground lease agreement. OLS entered into a Power Purchase Agreement (PPA) with Southern California Edison (“Edison”) in April 1984 which was later modified in January 1993 following disputes over the agreement’s performance provisions. The power plant provided energy for the former state hospital facility with excess power being sold to Edison. Edison was to provide standby power to OLS in the event that the power plant capacity was insufficient to energize the State’s facilities.

CI acquired the power plant from the Trustee of the former owner utilizing financing from Municipal Asset Finance Corporation (MAFC) in October 2010. CI subsequently leased the campus cogeneration plant to the SA and delegated to the SA responsibility for its operations and maintenance as well as assigning to it the revenue rights pursuant to the PPA. CI purchases energy from the SA at a price comparable to that charged by Edison. During the 2012-13 fiscal year, the cogeneration plant earned approximately \$3.3 million in net energy sales revenue after expenses. As discussed above, approximately \$2.5 million of that net revenue was applied toward debt service on SA infrastructure bonds. Future years’ net revenues from energy sales may be impacted by State Cap and Trade emissions fees.

The PPA expires in April 2018 creating a level of uncertainty in longer term energy revenues for the SA. The SA may need to be prepared to absorb possible reductions in power sale revenue and subsequent impacts on the SA’s ability to meet bond debt service obligations.

CI staff and their outside energy consultants have prepared analyses of various options for ensuring the long-term viability of the power plant. The JLL team will continue to work with CI staff and the energy consultant to more fully understand the implications of the power plant on the financial stability of the SA and CI.

University Glen

The University Glen master planned community is designed to provide 900 residential units and 31,000 square feet of retail and commercial space in the town center located adjacent to the campus. The project is intended to be developed in two phases. To date, the town center and 658 of the residential units have been developed, of which 184 are single-family attached and detached for-sale homes and 474 are rental apartments. Phase 2 is proposed to include 242 large for-sale units which have not yet been developed due to the significant economic recession of 2007-2012.

When conceptualized, the University Glen community was designed to provide affordably priced housing to attract and retain CI faculty and staff. The rental units were leased at prevailing market rates while the for-sale homes were sold at well-below market prices as an incentive to attract and retain faculty and staff to an area with a very constrained and relatively expensive housing market. A Priority System was established that regulates how the units would be sold or leased to CI-affiliated employees and CSU alumni versus the general public. Restrictions were established on the amount for which homes could be resold and a one-percent (1.0%) transaction fee imposed upon each home's resale paid to the SA.

The SA created a Mello-Roos Community Facilities District (CFD) in 2000 that may incur up to \$50 million to finance the infrastructure improvements for the entire University Glen development, including those improvements required to support the 242 unbuilt units in future phases 2A and 2B. While the apartments earn market rents, the for-sale units were sold at substantial discounts as an incentive to attract faculty and professionals.

By selling, ground leasing, or developing and selling phases 2A and 2B of the residential lots, the SA could offset its annual infrastructure bond debt service by approximately \$739,000 per year through recaptured Mello-Roos assessments and receive an estimated \$1.0 million annually in new property tax revenues. The completion of the development could also generate significant one-time and/or recurring annual new ground lease or sales revenues to the SA, further improving its cash flow.

6. *Wellness & Recreation Center / Events Center*

As its student enrollment grows, CI has a critical need for new and expanded indoor and outdoor athletics facilities including academic space, athletic courts, support space, large events and gathering space, fitness center, and a center for student health and wellness. Given the current critical need for recreational and athletic space, the campus is investigating options to support the development of a multi-purpose WRC of approximately 1,400 seats. This facility may, in the longer term, be augmented by an adjacent larger events center of approximately 5,000 seats that could host CCAA, NAIA, or NCAA division sports as well as larger community events such as concerts, sport camps, conferences, fairs and conventions.

The JLL team prepared conceptual space programming alternatives site planning, massing studies, renderings and elevations, infrastructure assessments, and cost estimates for a phased WRC on campus. The JLL team also prepared a preliminary market study for the larger Events Center, finding that substantial market feasibility exists for non-campus community uses and revenues for such a facility. A presentation of the team's work was delivered to the CI Foundation Board on August 22, 2014, and was well-received.

7. *Parking*

As student enrollment at the CI campus grows, the demand for on-campus parking for students, faculty, staff and visitors grows as well. Because of the campus' geographic separation from the surrounding community, campus users have no adjacent off-campus parking alternatives. Correspondingly, the campus' remote distance from the City of Camarillo renders it detached from most modes of public transportation. A shuttle system, the Vista Bus, is in place that regularly operates between points on campus and destinations in Oxnard and Camarillo. The campus also offers numerous bike racks, incentives for carpools and Zipcars® at discounted membership rates.

The campus has a current parking inventory of approximately 3,000 stalls spread among 15 surface lots with various levels of availability for students, faculty, staff, and visitors. Most of the streets within the University Glen community also allow for on-street parking. The combined area of all surface parking lots totals more than half of the developable acreage of the campus. The parking ratio per FTES is approximately 0.6 which is significantly greater than the average for all CSU campuses but is reasonable considering CI's remote location and limited access to public transit. The Vision Plan contemplates an estimated 5,250 parking stalls, or a ratio of 0.35 per FTES, upon full build-out and enrollment of 15,000 students.

Approximately 67% of students housed on campus seek parking permits while roughly 80% of commuting students require on-campus parking, yielding approximately 3,875 student parking permits in the 2014-15 academic year. This growing student parking demand combined with approximately 900 faculty/staff and daily visitors creates an increasingly critical burden on campus parking resources. Current student parking permits fees of \$185 per semester cover parking operating and maintenance expenses and can pay for debt service on existing parking bonds for new parking facilities.

The university earned approximately \$2 million in gross parking revenues in the 2013-14 academic year and recorded a positive cash flow of roughly \$119,000 after operating expenses. Therefore, the campus is not generating any significant excess parking revenues to construct new parking alternatives such as parking structures.

8. *Campus Events*

CI, like many universities, hosts numerous events during times when campus facilities are not used by regular campus activities. Many campuses and their facilities make excellent locations for corporate conferences and retreats, youth athletic and cheerleading camps, banquets, and other community-based functions. Depending on the location of a campus, these hosted events can provide an unexpected and unrestricted new revenue stream to the university. CI reports that it earned approximately \$722,000 in gross revenues during the 2013-14 academic year

from such events, without any significant marketing or outreach campaign. This was a 28% increase in revenue from the previous year. JLL is attempting to learn the amount of net profit earned from these activities.

9. *Financial Partnerships with Local Governments and Business*

President Rush, the Foundation Board, and CI's Community and Governmental Relations staff have been very active and successful in building excellent working relationships with local governmental entities, the business community, community groups, and non-governmental organizations. However, the campus' somewhat remote and hidden location, combined with a continued need to build awareness of the campus' location within the state, continue to create challenges with building awareness of the campus, its idyllic setting and quality curriculum, as well as the vibrant offerings of student life. As the largest institution of higher learning in the Ventura County region, CI is an important economic development catalyst in serving young adults from the surrounding communities, especially the underserved and disadvantaged. CI is also a vital tool for area businesses, creating future business leaders and providing quality jobs. CI is currently preparing a branding and outreach program that includes a new website and strategies for increasing awareness and value of the university.

10. *Student Health Care and Child Care*

New federal health care laws have created a new operating environment for university health care facilities. CI currently has a very small medical clinic that is dramatically insufficient for its current and future student enrollment. Campus medical facilities may be funded by student health facilities fees while medical care may be funded by student health services fees. CI contracts with the County of Ventura for ambulatory services, nurse practitioners, medical assistants, and electronic medical records services. Many university health centers also provide services to faculty and staff, which the CI facility cannot currently accommodate.

In addition, because of the campus' distance from the services offered in the City of Camarillo, CI staff has identified a significant need for a Child Development Center. This facility is envisioned to not only provide accessible and affordable day care service to the children of students, faculty, staff and nearby residents of University Glen, but also an opportunity for child education and development instruction within the university's education and child psychology programs.

11. *Student Life*

The CI student population enjoys multicultural and socio-economic diversity, which fosters a very rich learning environment. CI has a supportive, robust, and active series of student life programs. The student life programs fall within four main categories: (1) Associated Students

Incorporated (or Student Government), (2) the student newspaper, (3) the student yearbook, and (4) the student programming board. The campus' relatively small size and serene environment provides students and their organizations with greater and more frequent access to faculty and staff with fewer distractions that may be experienced in a more urban environment. It also instills a greater sense of ability to positively impact the campus within the students.

Student values are instilled through the CI Nine Dimensions of Development: (1) Values and Integrity, (2) Expression, (3) Health, (4) Intellectual, (5) Intra/Interpersonal, (6) Citizenship, (7) Creativity, (8) Cultural, and (9) Life and Career Planning. The Dimensions are intended to inspire commitment by the students to the CI mission with the mind, body, and spirit.²

C. Implications for Analysis

1. State Budget and Legislative Changes

- Continue to monitor CSU revenue bonding capacity in future years for potential revenue for CI
- Consider and quantify risks related to alternative funding options and assess compatibility with State and CSU policies and procedures

2. Student Enrollment Growth

- Consider CI enrollment growth projections in its campus expansion analysis including learning, research, housing, student life, wellness, athletics, parking and infrastructure facilities
- Consider demographic and socio-economic diversity of CI students in its approach analysis of financing alternatives
- A growing student population will yield a growing revenue source in student tuition and fees for instruction and facilities, parking, housing, programs, etc. This growth will be considered in evaluating funding strategies for campus expansion.
- A growing student population may also support additional retail, restaurant, hotel, athletics and events venues, and entertainment uses that could generate revenues for CI and the SA through ground lease revenues and tax increment
- Consider potential grants, research, tuition, and other funding opportunities that may become available by expanding the number of graduate programs, faculty and students

² "CI 2025 Plan," California State University Channel Islands, 2012.

- An effort to attract more out-of-state and foreign students who pay full tuition rates could increase general operating revenues
- Increased marketing and expansion of on-line learning programs can increase general operating revenues at marginal increased cost

3. *Student Housing*

- Based on student enrollment projections and CI staff housing objectives, develop projections and schedule for the construction and delivery of new on-campus housing units
- Provide alternatives and recommendations for the types of units, locations, funding sources, cost estimates, procurement and delivery methods, integrated operations, management benchmarking, and approaches for new housing inventory
- Explore approaches to reduce the cost of producing new student housing including, but not limited to, delivery method, design, construction techniques, and unit type
- Evaluate the amount of student fees required to fully finance the cost of new housing
- Assess opportunities and feasibility for mixed-use housing developments
- Evaluate opportunities and cost/benefits for securing off-campus student housing options, including existing and future units located in University Glen
- Determine whether partnering with a private sector firm to operate, manage, and maintain existing on-campus student housing would provide any significant financial or other benefits to CI
- Ensure financial projections include sufficient capital replacement reserves to maintain all student housing in good condition
- The university has limitations of bond service coverage ratios that cannot be less than 1.35
- Evaluate the potential costs/benefits of the SA taking the lead in developing new student housing

4. *2025 Vision Plan: Near-Term and Mid-Term Projects*

- Evaluate and confirm the proposed near- and mid-term projects and program identified in the Vision Plan
- Work with CI staff to assess the infrastructure improvements required to support the near- and mid-term projects and recommended phasing
- Determine general programming needs for each new near- and mid-term project and compare programming needs with CSU space programming standards. Develop case for departure from CSU programming standards, where appropriate
- Prepare cost estimates to design and construct infrastructure improvements and priority facilities (near- and mid-term projects)

- Develop alternative funding options that recognize the lack of future state bond sale proceeds
- Explore the use of newly adopted legislation that permits the CSU system to issue revenue bonds; public-private partnership opportunities; parking revenues, sponsorships; Site Authority development opportunities; public-public partnerships; student fees; Infrastructure Financing District; grants; tax credit equity and other creative financing mechanisms to fund the Vision Plan priority projects
- Evaluate alternative approaches to facility operations, management, and maintenance

5. *Site Authority*

- Evaluate alternative approaches to operating the rental units in phase 1 including sale and long-term lease to owner/operator
- Evaluate the “base line” scenario for phases 2A and 2B of University Glen – develop 242 residential units according to current plans via alternative delivery methods (i.e. SA as developer; ground lease to developer; sell to developer; etc.)
- Evaluate market feasibility for alternative unit counts, mix, rental product, and sizes for phases 2A and 2B. If feasible, evaluate financial feasibility and delivery methods of alternative unit mix and type taking into consideration infrastructure, environmental, traffic and other factors. Consider land sale, ground lease, and self-development scenarios.
- Research whether property taxes are forfeited to the County of Ventura if the SA enters into a ground lease for the development and/or management of University Glen
- Evaluate potential financial benefits and risks of converting existing rental units to for-sale
- Explore alternatives for reducing library and infrastructure debt for SA including refinancing, approaches to augment revenues to accelerate debt pay down, public-private partnerships, and public-public partnerships among others
- Consider potential decreased power generation revenues in future cash flow projections
- Identify potential development opportunity sites on campus for which the SA may enter into public-private partnerships. Determine market feasibility for various possible uses.
- Explore whether opportunities exist for land external to the CI campus could be transferred to the SA, and become future revenue sources for the SA and CI

6. *Wellness & Recreation Center / Events Center*

- Assess the infrastructure improvements required to support the development of the WRC and Events Center (i.e. relocation of above and below ground utilities, new chillers, connections of utilities from main lines to new buildings, road realignments and new entry roads, parking, etc.)

- Prepare preliminary cost estimates of each phase of design and development, including soft costs and infrastructure to determine level of fundraising, student fees and other revenue sources required to finance each phase of the project
- Assess market feasibility for larger Events Center
- Identify potential funding sources for the phases of the WRC and Events Center

7. *Parking*

- Evaluate a variety of parking options including surface lots, structures and lift systems. The Vision Plan considers a parking structure located on the western edge of West Campus
- Consider alternative funding sources for existing and future parking including student fees, bonds, state infrastructure bank and public-private partnerships
- Explore alternative procurement and delivery methods for new parking
- Identify approaches and funding to mitigate demand for on-campus parking including enhanced shuttle service, connections to public transit and traffic demand management policies
- Evaluate financial benefits of consolidating surface parking into structured parking resulting in additional land available for revenue-generating uses

8. *Campus Events*

- Research other universities to establish a list of various types of revenue-generating events held on campuses
- Assess, where possible, the amount of gross and net revenues earned from various types of summer events
- Assess which types of events may be appropriate for attracting audiences at CI
- Determine which new proposed facilities may provide new opportunities for attracting events and associated revenues

9. *Financial Partnerships with Local Governments and Business*

- Through interviews with select representatives of local governments and business and community groups, gather opinions about the importance of CI and its economic vitality to the region from each organization
- Discuss potential areas of financial collaboration including RWC/Events Center, performing arts center, academic and research facilities, technology and office park, and infrastructure
- Discuss opportunities for potential Joint Powers Authority (JPA), Infrastructure Financing District (IFD), sponsorships, philanthropic grants, and equity funding, among others

10. Student Health Care and Child Care

- Work with CI staff to identify potential locations for a new health care facility that includes both medical and mental health care as well a possible child development center and day care
- Identify approximate programming needs for a student health center
- Identify potential costs and funding sources, procurement, and delivery methods to finance the design and construction of a student health center

11. Student Life

- Consider opportunities to incorporate student activity and social spaces into new academic, housing, administrative, and open spaces.
- Explore opportunities for flexible outdoor learning, performance, and gathering spaces
- Consider evolving technology, cultural, and social trends when designing and planning campus expansions and facilities

V. Strengths, Weaknesses, Opportunities & Threats

After considering the substantial information and insight gained from the stakeholder interviews and background documents provided by CI staff, the JLL team prepared the following overview of the university's Strengths, Weaknesses, Opportunities, and Threats (SWOT) as they relate to achieving the goals and objectives of the Vision Plan. It is not intended to be an all-inclusive list of the SWOT factors, but those that may require mitigation, to the extent possible, and those that should be reinforced to achieve success.

DRAFT

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS



Strengths

- Beautiful natural setting and safe learning environment
- Sufficient developable site area for needed campus expansion
- Excellent relationships with external community, local governments and business
- Site Authority provides unique development procurement flexibilities and tax increment collection powers
- Motivated and visionary staff willing to consider new innovative funding tools



Weaknesses

- Few out-of-state and foreign students to pay full tuition rates
- Few graduate programs and students to attract research grants
- Former state hospital buildings not suited for academic, research or residential uses
- Geographic separation from City of Camarillo, public transit, and off-campus housing
- Tight and expensive inventory of off-campus housing for students, faculty and staff
- Lack of awareness of campus and location



Opportunities

- Potential use of Site Authority to reduce existing debt and increase revenues through real estate development
- Potential joint use and funding opportunities with community and local governments for some new facilities
- Potential abilities to implement new procurement and delivery methods to expand the campus that may result in new funding opportunities while reducing cost
- CSU willingness to consider innovative procurement and funding methods



Threats

- Power Purchase Agreement expiration in 2018 could result in reduced revenues to the Site Authority from energy sales
- Rigid CSU space programming requirements could result in facilities that are not adequately designed to achieve CI goals while increasing construction and operating costs
- Site Authority debt service increases could continue to burden the entity preventing it from accomplishing its mission, and potentially its demise
- Continued lack of State funding for capital expansion

VI. Appendices

A. CI Stakeholder Interview Notes

- i. CSU Chancellor's Office
- ii. CI President
- iii. CI Provost and Associate Provost
- iv. CI Academic Affairs (including Faculty and Academic Department Staff)
- v. CI Business and Financial Affairs staff
- vi. CI Architecture and Engineering staff
- vii. CI Student Health
- viii. CI Student Life and Affairs
- ix. CI Technology and Communication
- x. CI Athletics
- xi. CI Student Housing
- xii. Site Authority Staff and Board
- xiii. Governmental Stakeholders
- xiv. Community and Business Stakeholders

B. List of Source Documents

- i. 2025 Vision Plan
- ii. CI Master Plan
- iii. CI Design Standards
- iv. CI Architectural Design Guidelines
- v. CI Academic Plan
- vi. CI Strategic Plan 2014-19 – May 2014
- vii. CI Parking Financial Projections
- viii. Site Authority Specific Reuse Plan – June 2000
- ix. Aerial Image of Campus Boundaries
- x. Draft CI 10-Year Growth Plan
- xi. CI Facility Condition Assessment Cost Estimates
- xii. Third Amended and Restated Ground Lease between CI and the Site Authority – March 2007
- xiii. CSU Policy Executive Order No. 747 – Public-Private Partnership Development Policies and Procedures
- xiv. University Glen Residential Market Analysis prepared by RCLCO – February 2014
- xv. University Glen Community Facilities District Formation Resolution – October 2000
- xvi. Site Authority debt schedule – March 2014
- xvii. Energy Services Agreement between CI and the Site Authority – August 2010
- xviii. Amended and Restated Firm Power Purchase Agreement between O.L.S. Energy – Camarillo and Southern California Edison Company – April 1984
- xix. Site Authority audited Financial Statements – Fiscal Years 2011, 2012, 2013
- xx. Financing Authority audited Financial Statements – Fiscal Years 2011, 2012, 2013
- xxi. CI Housing and Residential Learning License Agreements – Academic Years 2009-10 through 2014-15
- xxii. CI Approved FY 2013-14 and FY 2014-15 Operating Budgets
- xxiii. CSU Campus Fee Comparison Schedule 2014-15
- xxiv. CI Graduation and Retention Rates – Freshmen Class 2000- 2006
- xxv. CSU Student Housing Rate Comparison Schedule – 2014-15 academic year
- xxvi. Student Housing Financial Models
- xxvii. CI Fall 2014-2017 Student Housing Occupancy and Room Inventory Projections
- xxviii. CI Recreation and Athletic Fee Projections
- xxix. CI Summer Events schedule