

CI 2025: Implementation Strategies



Prepared for California State University, Channel Islands
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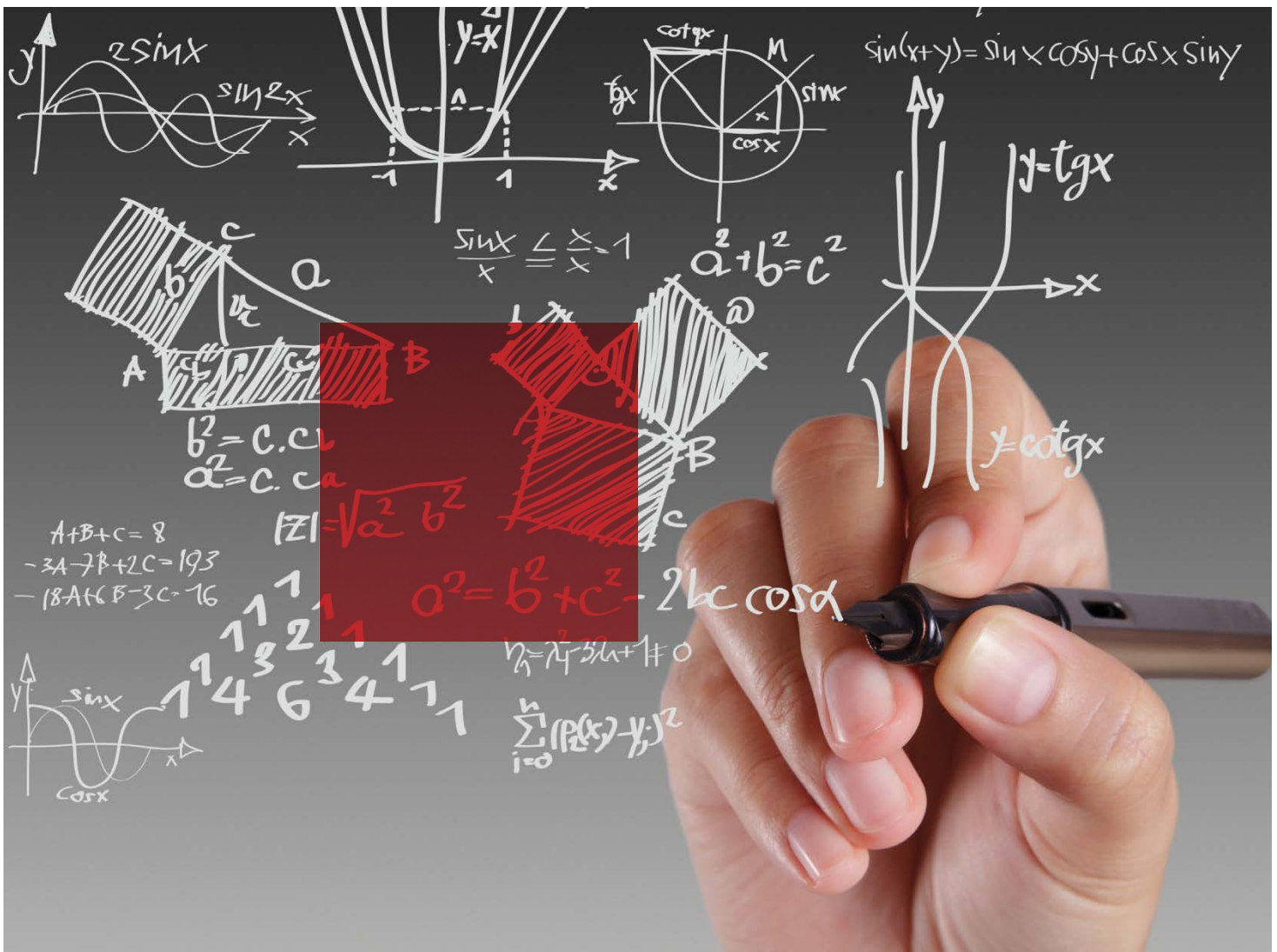


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I. Background

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.

California State University Channel Islands (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 to guide campus expansion to double student enrollment from 5,000 to 10,000 Full-Time Equivalents (FTES). CI 2025 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 no new methods offered by the State for funding capital improvements, seeking new innovative ways to finance facilities needed to support the next decade's enrollment growth target is "the new normal". 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 due to lack of classrooms and student housing.

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 WRC complex. AECOM was tasked with providing infrastructure assessments, cost estimating, as well as a market demand study to test the feasibility of a proposed Events Center that would serve the needs of the community and the university.

The first phase of JLL's assignment, summarized in a separate report, defines the objectives and key implications critical to the success of CI 2025 in order to establish a prioritized development vision to support alternative financial and implementation strategies (*Appendix A - CI 2025 Goals, Objectives, and Key Issues*). Following an extensive series of interviews with key university, governmental, and community stakeholders, combined with comprehensive research and analysis, the JLL team has summarized its findings, recommendations, and strategies in the following sections of this report.

II. Goals and Objectives of Study

This section summarizes the primary goals and objectives of JLL's study to establish a feasible strategy for the CI 2025 plan. These aims have been identified through JLL's collaboration with CI staff, interviews with faculty and stakeholders, and review of background materials.

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, as well as seeks to introduce a doctoral program in Education in several years. CI staff also intends to develop marketing platforms and networks to attract more foreign and out-of-state students.

3. *Student Housing*

The 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 seeks 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. *CI 2025 Plan: Near-Term and Mid-Term Projects*

Significant amount of infrastructure improvements will be required to accommodate the near-term and mid-term projects included in the 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 scenarios 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 Plan will help advance the overall goals of the Plan, Academic Plan, and Strategic Plan. Preliminary space programs and cost estimates for the 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/Recreation/Events Center Complex*

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 fees and other revenues.

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.

III. Methodology

The JLL team embarked on its assignment with CI in May 2014 beginning with an onsite kick-off meeting with key CI staff. The kick-off meeting included a comprehensive discussion of the preparation of the CI 2025 plan, the key stakeholders (on and off-campus), the campus history, the CI and SA organizational and financial structures, a review of the campus site plans, and near-term and mid-term priorities. The kick-off meeting included a tour of portions of the campus.

CI staff provided the JLL team with many background documents related to CI and the SA including financial statements, site plans, infrastructure plans, market studies, bond schedules, academic plans, housing and parking inventories, agreements, CSU policies, planning studies and environmental reports, cost estimates, and student fee schedules. The JLL team reviewed the documents provided and discussed with CI staff during the course of the study. Numerous follow-up meetings and conference calls were conducted between various members of the JLL team and CI staff during the team's research and analysis.

JLL prepared an update to an off-campus student housing market study prepared in 2012 by collecting current market supply and demand data, rental and vacancy rates, amenity packages, utility costs, and other information. The study includes phone interviews with apartment managers and the collection of pipeline residential rental supply. The JLL market update report, completed in July 2014, formed the basis for some of the recommendations and scenarios included in this report.

Select members of the JLL team participated in in-person interviews with key on-campus stakeholders that were identified by CI staff. Notes were collected from each interview and information was used to form the basis for certain findings and recommendations in this report. Following the conclusion of its review and synthesis of the background document information and the on-campus interviews, the JLL team prepared a report summarizing its findings to date titled *CI 2025: Goals, Objectives, and Key Findings*. The purpose of this progress report was to identify those themes that JLL had identified as potential opportunities for value capture, revenue generation, cost reduction, and enhanced performance that could advance the goals of CI 2025.

Following the approval of the *CI 2025: Goals, Objectives, and Key Findings* report by CI staff, the JLL team began its in-depth analysis of the development and revenue-generating opportunities identified. JLL relied upon expert opinions from its public institutions, multi-family, retail, project development practice groups as well as its consultants AECOM and SCB to provide market expertise, cost estimates, site planning, space programming, conceptual design, and property valuations. Information gathered from the on-campus interviews and discussions with CI staff provided support for the space programs developed for the proposed new facilities. Development cost data was based on conceptual building programs and current cost data.

Further input was solicited from stakeholders in the local community including representatives from local governments, planning and transportation agencies, visitor and convention groups, and business organizations. Their participation was valuable in guiding the JLL study, identifying

partnership opportunities, engaging the community, pinpointing common goals, and sharing CI's vision and current challenges.

During the course of its work, the JLL team periodically briefed and solicited input from various decision makers and stakeholder groups including CI President Richard Rush and the President's Cabinet, faculty and departmental staff, the Site Authority Board of Directors, and staff from the CSU Chancellor's Office.

IV. Executive Summary

As the newest campus in the CSU system, CI requires significant investment in new academic buildings, infrastructure, housing, and student support facilities to sustain its growth from its current 5,200 FTES to 15,000 FTES upon full build-out. Transitioning the campus from a former State hospital to a respected modern institution of higher learning in today's "new normal" environment of greatly reduced State funding is exceptionally challenging. Optimizing the role and financial position of the SA, identifying and securing new innovative funding sources through public and private partnerships, and maximizing the use and value of its real estate assets will be imperative for CI moving forward.

Following comprehensive research and analysis, JLL has identified numerous new funding sources for consideration by CI that could advance the construction of its CI 2025 projects, reduce its outstanding debt obligations, and place it in a sustainable financial position. The following capital improvement projects were identified as priorities in the CI 2025 plan for implementation in the near- and mid-terms. JLL has provided cost estimates, in today's value, for each of the respective projects.

Near-term Projects:		Mid-Term Projects:	
	Cost (in millions)		Cost (in millions)
• Wellness and Recreation Center		• Wellness and Recreation Center	\$21.47
o Site Improvements	\$1.63	Phase 2	
o Utility relocation & connections	\$3.50	• Events/Athletics Pavilion	\$67.79
o Phase 1A	\$14.5	• Performing Arts Center	\$63.50
o Phase 1B	\$5.50	• Gateway Hall	\$37.06
• Science 2 Lab building	\$44.58	• San Miguel Village Student Housing	\$53.55
• Health Center/Child Development Center	\$12.35	• Parking for students, faculty, staff and visitors	\$4.40
TOTAL Estimated Cost	\$82.06	TOTAL Estimated Cost	\$247.77

The SA, experiencing a negative annual cash flow, is not in a position to assist with the funding of CI 2025 priority projects. In fact, the SA's financial position is expected to deteriorate in future years due to escalating bond debt service with corresponding revenues that are not expected to keep pace. Absent any major shifts in State policy related to funding CSU campus buildings, CI must now rely on new methods of funding if any of the CI 2025 projects are to be implemented. To that end, JLL has identified the following strategies for securing new revenues for the purposes of debt reduction and campus expansion projects. For each strategy, JLL has estimated the potential value to the SA/CI and the recommended next steps to implement each strategy.

Revenue Strategy #1 – University Glen Phase 1 Townhomes

**Estimated
Revenues to CI**
\$31,600,000

As existing leases with tenants expire, convert the 88 attached townhomes located in Phase 1 of University Glen to for-sale condominiums. The SA may opt to retain its homebuyer priority policy currently in place for University Glen or adopt a modified version for the townhomes. This strategy yields significant near- and long-term revenues to the SA from unit sales and future resale transaction fees; provides additional homeownership opportunities for CI faculty, staff, public employees, and the general public; and balances the increase in University Glen rental units advocated in Revenue Strategy #3. JLL recommends commencing the implementation of this strategy early in 2015 to take advantage of the current advantageous housing market.

Next Steps

- Cease renewals as existing tenant leases expire
- Prepare marketing materials and advertising strategy for product
- Establish pricing, sales priority policy, and escrow protocols
- Create one or more model units
- Prepare University Glen Corporation staff for marketing and sales process
- In collaboration with CO staff, determine how net proceeds from the sale will be applied toward outstanding SA debt and CI 2025 priority projects

Revenue Strategy #2 – University Glen Phase 1 Apartments

**Estimated
Revenues to CI**
\$75,200,000

Market and sell the existing 328 rental apartments located in University Glen Phase 1 to an institutional apartment investor/operator pursuant to a long-term ground lease with the SA. This strategy yields significant near-term revenues to the SA from the unit sales, long-term revenues from ground lease payments, and tax increment. Future ground lease payments may be received over time as an endowment or monetized at a discounted value to receive more immediate revenues. Benefits of this approach include the retention of the apartments and land as a long-term asset of CI, the transfer of financing, leasing and operating risk to the private third party, and the ability of the SA to prescribe apartment operation and tenancy pursuant to an operating agreement with the selected buyer/operator. JLL recommends commencing

the implementation of this strategy in early 2015 and target a transaction closing by year-end.

Next Steps

- Seek all necessary approvals to implement this strategy
- Convert past 3 years' operating statements into industry-standard format
- Prepare RFQ/P solicitation documents inviting submittals of qualifications and proposals from investors/operators
- Prepare marketing collateral and website; conduct pre-solicitation marketing to targeted respondents and groups
- Release solicitation documents
- Review submittals in response to RFQ/P; evaluate qualifications and proposals; select best-scoring respondent
- Negotiate ground lease, apartment sale, and operating agreements
- Close transaction
- In collaboration with CO staff, determine how net proceeds from the sale and ground lease will be applied toward outstanding SA debt and CI 2025 priority projects

Revenue Strategy #3 – University Glen Phase 2 Development

Rather than build-out the remaining 32.5 acres of the University Glen community with 242 large for-sale homes as originally contemplated, develop approximately 590 rental multi-family apartments. In contract to the SA's self-development of Phase 1, JLL recommends the SA partner with a private developer pursuant to a long-term ground lease and development/operating agreement for Phase 2. This strategy yields significant long-term revenues to the SA from future ground lease payments and tax increment. Future ground lease payments may be received over time as an endowment or monetized at a discounted value to receive more immediate revenues. Benefits of this approach include a significant increase in flexible housing inventory, retention of the apartments and land as a long-term asset of CI, the transfer of environmental, design and development, financing, leasing and operating risk to the private third party, and the ability of the SA to prescribe apartment operation and tenancy pursuant to an operating agreement with the selected developer/operator. JLL recommends commencing the implementation of this strategy in early 2015 in consideration of the lengthy CEQA process and the strong housing market.

**Estimated
Revenues to CI**
\$37,300,000

Next Steps

- Seek all necessary approvals to implement this strategy
- Prepare RFQ/P solicitation documents inviting submittals of qualifications and proposals from developers/operators
- Retain environmental consultant for CEQA studies and documents
- Prepare marketing collateral and website; conduct pre-solicitation marketing to targeted respondents and groups
- Release solicitation documents
- Review submittals in response to RFQ/P; evaluate qualifications and proposals; select best-scoring respondent
- Negotiate ground lease, CEQA processing cost sharing agreement, and development and operating agreements
- Close transaction
- In collaboration with CO staff, determine how net proceeds from project will be applied toward outstanding SA debt and CI 2025 priority projects

Revenue Strategy #4 – Sale and Expansion of the Town Center

Sell the existing approximate 30,000 square feet of retail and 58 apartment units above, including the two adjacent parking lots to a mixed-use student housing developer/operator. Engage with the selected developer to replace the existing surface lots with additional residential and retail uses and structured parking. This strategy yields significant short- and long-term revenues to the SA from the mixed-use sale, future ground lease payments, and tax increment. Future ground lease payments may be received over time as an endowment or monetized at a discounted value to receive more immediate revenues. Benefits of this approach include a significant increase in student housing inventory; retail, dining and entertainment offerings for students, faculty, and visitors; retention of the apartments, retail, and land as a long-term asset of CI; the transfer of environmental, design and development, financing, leasing and operating risk to the private third party, and the ability of the SA to partially prescribe apartment operation and tenancy pursuant to an operating agreement with the selected developer/operator. JLL recommends this project commence implementation in 2015 in order to deliver new student housing units by fall 2018.

**Estimated
Revenues to CI**
\$23,700,000

Next Steps

- Seek all necessary approvals to implement this strategy
- Prepare RFQ/P solicitation documents inviting submittals of qualifications and proposals from developers/operators
- Retain environmental consultant for CEQA studies and documents
- Prepare marketing collateral and website; conduct pre-solicitation marketing to targeted respondents and groups
- Release solicitation documents
- Review submittals in response to RFQ/P; evaluate qualifications and proposals; select best-scoring respondent
- Negotiate ground lease, CEQA processing cost sharing agreement, and development and operating agreements
- Close transaction
- In collaboration with CO staff, determine how net proceeds from sale and ground lease will be applied toward outstanding SA debt and CI 2025 priority projects

Revenue Strategy #5 – Hotel and Conference Center Development

**Estimated
Revenues to CI**
TBD

As student enrollment grows, CI and the Camarillo market may be able to support a small hotel and conference center. This possibility significantly improves if the proposed Events Pavilion is developed. JLL advises that this endeavor be implemented pursuant to a long-term ground lease and development/operating agreement with a hotel developer. This strategy yields significant long-term revenues to the SA from the future ground lease payments and tax increment. Future ground lease payments may be received over time as an endowment or monetized at a discounted value to receive more immediate revenues. Benefits of this approach include additional on-campus meeting and conference space; possible dining and catering options for faculty, staff, and visitors; retention of the hotel and land as a long-term asset of CI; the transfer of environmental, design and development, financing, leasing and operating risk to the private third party, and the ability of the SA to partially control conference center operations pursuant to an operating agreement with the selected hotel developer/operator.

Next Steps

- Continue to monitor campus conference center needs and the local lodging market; or proceeds if Events Pavilion implementation appears imminent:
- Engage JLL's hotels consulting group to perform a thorough market and financial feasibility study

- Assess alternative campus sites for a hotel/conference center
- Seek all necessary approvals to implement this strategy
- Prepare RFQ/P solicitation documents inviting submittals of qualifications and proposals from developers/operators
- Retain environmental consultant for CEQA studies and documents
- Prepare marketing collateral and website; conduct pre-solicitation marketing to targeted respondents and groups
- Release solicitation documents
- Review submittals in response to RFQ/P; evaluate qualifications and proposals; select best-scoring respondent
- Negotiate ground lease, CEQA processing cost sharing agreement, and development and operating agreements
- Close transaction
- In collaboration with CO staff, determine how net proceeds from the project will be applied toward outstanding SA debt and CI 2025 priority projects

If CI successfully implements each of the above recommended strategies, the SA and CI could realize an estimated \$167 million or more in near- and mid-term new revenues. The amount of this funding that could be available to implement CI 2025 is dependent upon debt reduction requirements.

In addition to the revenue strategies, JLL recommends the following companion programs be implemented to ensure sufficient on-campus student housing, athletics facilities, and parking are made available and that auxiliary revenues are maximized.

Student Housing Strategy

Based on student enrollment projections and on-campus student housing objectives, JLL determines that, in addition to the 600 new beds currently under construction in the Santa Rosa Village project, CI will need to commence the developer solicitation and selection process in 2015 for the Town Center expansion project. Shortly thereafter, CI should begin the same process for approximately 700 beds in the San Miguel Village student housing project and in 2018-19 for an additional 700 beds in the next student housing community.

Next Steps

- By 2015 year-end, issue developer solicitations for the Town Center and San Miguel Village housing projects
- Perform a student housing needs assessment to determine the number and types of housing units needed and desired amenities, study/learning, retail, and other uses to be incorporated.

Parking Strategy

In an effort to keep pace with on-campus parking demand and optimize the use of limited university land, JLL recommends CI explore opportunities to provide structured parking in locations on campus that provide a more balanced distribution of parking locations. While more costly to deliver than surface parking, structured parking free surface parking lots for higher-and-better uses including academic, student support, and revenue-generating projects. In addition, CI should further evaluate the potential for two-vehicle parking stacking systems for use in surface or structured parking facilities as an additional way to better utilize limited land assets. Opportunities to privatize campus parking operations should also be considered, as has been implemented by universities such as Ohio State University as an approach to generate new revenues while allowing university staff to focus on their core missions.

Next Steps

- Further evaluate JLL's suggested locations and costs for structured parking on campus.
- Structured parking should be incorporated if a future Events Pavilion is implemented.
- Explore public-private partnerships for campus parking operations.
- Evaluate JLL's recommendations for financial and other incentives for students to use alternative transportation modes for travel to and from campus.

Environmental Sustainability Strategy

Renegotiation of the CI cogeneration energy plant's Power Purchase Agreement in 2017-18 will be critical to the plant's future operations and supplying CI's energy needs at favorable rates. An additional approach to progressing toward CI's energy independence is the possible installation of photovoltaic arrays on the tops of parking lot canopies, parking structure roofs, and other large flat surface structures. JLL's preliminary research concluded that current solar energy pricing may now be competitive with CI's other conventional energy options.

Next Steps

- Prepare and issue a Request for Proposals from solar energy installers/providers to assess the financial feasibility of panel installation.

Wellness and Recreation Center Strategy

To address student wellness, recreation, and fitness needs, JLL recommends that CI continue to advance this important CI 2025 objective during 2015 by pursuing funding and advancing plans for a Wellness/Recreation Center (WRC). The JLL team prepared a space program, site

plan, and preliminary massing designs for a WRC that can be constructed in phases, over time, as funding is secured.

Next Steps

- Initiate a fundraising campaign through the CI foundation to raise revenues for Phase 1 of the WRC.
- Seek input from the Associated Students Incorporated (ASI) on the feasibility of student facilities fees being approved to fund a portion of the WRC development costs.

Events Center Strategy

As CI grows and matures, it will be essential for the university to provide students with an indoor athletics and events facility that meets its future enrollment projections and curriculum programs. Such a facility presents an exciting opportunity to provide a joint-use pavilion for student intramural and competitive indoor sports, athletic and wellness-related academic programs, and large campus events as well as community activities including K-12 sports camps and tournaments, concerts and festivals, guest speakers, and conferences and conventions. JLL prepare a preliminary market study indicating a lack of any large meeting facilities in the region and a strong demand. Many community stakeholders interviewed expressed a strong interest in participating in a variety of ways, including potential financing, on a working group to assess the facility's feasibility.

Next Steps

- CI needs to assess its program and schedule needs in the near- and long-terms for the use of a new Events Center.
- If CI determines that campus schedule requirements for an Events Center will allow sufficient windows of time for non-campus use, CI should form a working group comprised of campus and community stakeholders to study the facility's feasibility. Members of the working group should include, at a minimum, representatives from Ventura County, cities within the County, lodging and tourism groups, transportation agencies, the Oxnard airport, and key local businesses.

Auxiliary Revenues Strategy

During this new era of governmental fiscal constraints and reduced higher education funding, many universities are investing in their auxiliary revenue programs to increase reliable revenue streams of which they maintain control. Such programs vary widely between universities, private institutions having more flexibility in their cost-cutting and revenue generation programs. CI has already made significant progress in developing their auxiliary revenue

programs resulting in positive results. Some of CI's programs have room for additional growth and refinement while new programs should be explored.

Next Steps

- Continue to invest in campus facility rentals, catering, summer camps, conferences, and other events that do not interfere with academic uses. Website enhancements and automation, marketing programs and community outreach, and identifying new creative revenue-generating uses for campus facilities should continue to be advanced by CI.
- Consider the use of non-intrusive strategic advertising opportunities throughout the campus that can generate new revenues. Examples of potential prospects include campus identity freeway signage and naming rights for buildings, plazas and open space, laboratories and classrooms, student union, performing arts center, and student health center.
- Assess opportunities for cellular phone antenna leases on campus buildings.
- Form collaborative working groups with local governments and business groups to evaluate public-public financing mechanisms for certain campus projects that provide mutual benefits.
- Continue to invest in online and hybrid learning IT infrastructure and marketing to expand CI's reach in those academic programs that are a good fit for remote learning. CI can expand its brand and value through licensing agreements with other online educators.
- Explore partnerships with larger national and international institutions as an approach to increase profits through online instruction of out-of-state and foreign students that pay full tuition rates.
- Seek partnerships with Los Angeles and Ventura County businesses for opportunities to provide fee-based research and analytic services, instructional partnerships, and the sale of patents and licenses for technologies developed on campus as well as more active pursuit of on-campus film production opportunities,.

Successfully implementing CI 2025 will require a significant emphasis on tapping the inherent value in, and efficiently using, the university's real estate assets; pursuing public-private partnerships for the development and operations of appropriate new and existing campus projects; successful fundraising through the CI Foundation; and continuing to invest in CI's existing and new auxiliary revenue programs. This report describes the approach, analysis of alternatives, and supporting reference data upon which JLL's recommendations are based.

V. Campus Values and Vision

CI has established the following as its key approaches that integrate its Mission, Vision, Values, and General Strategies.

1. Encourage and support student centered learning through teaching, inquiry, scholarly, creative, and co-curricular activities.
2. Foster community engagement with students and provide regional and global access to the University.
3. Continue developing innovative practices that enhance the quality and effectiveness of the University, including academic programs, student support services, business enterprises, and physical infrastructure. Additional majors will be developed that enhance existing programs and are guided by both the resources required as well as projected enrollments.
4. Develop support for the University with the community and public and private funders through inclusive partnerships and programs that encourage others to feel part of the University.¹

JLL considered and incorporated each of these approaches in its research, analysis, and recommendations as presented in this report.

¹ CI 2025, pages 52-55.

VI. Current Situation and Existing Conditions

State Funding Reductions

The CSU system has traditionally relied upon periodic issuance of State Revenue Bonds (SRBs) approved by the Governor and State Legislature for funding new capital improvement projects located on the system's 23 campuses. The revenues from these bonds paid for new academic, student support, and infrastructure facilities needed to support growing student enrollment, new academic programs, or repair/replace aging facilities. During the Great Recession, the State discontinued issuance of SRBs for higher education due to drastic reductions in state revenue collection and increasing debt balances. The State has indicated that, despite improvements in the State's economy and revenues, a return to State funding for higher education capital improvements is not likely. The State's position places the responsibility on the CSU system and individual campuses to secure its own funding for needed capital projects.

CSU is also impacted by the Omnibus Higher Education Trailer Bill, SB 860, included in the State's FY2014/15 budget package. The trailer bill establishes new CSU financing flexibility related to General Obligation (GO) bond debt service, Lease Revenue Bonds (LRB), and CSU deferred maintenance and critical need financing. Several sections of California code have been added or amended to give CSU the authority to use the General Fund support appropriation (and other CSU revenues) for capital expenditures and capital outlay projects, such as construction, repair, and maintenance of academic facilities and the construction of energy conservation projects and cogeneration facilities. Additionally, CSU is exempted beginning with 2014/15 from the state Budget Act Section 6.00 that places a \$100,000 limit on GF appropriations that may be used for capital expenditures without Department of Finance approval.

The SRB program provides capital financing for revenue-generating projects of the CSU— student housing, parking facilities, student union facilities, health center facilities, continuing education facilities, and certain auxiliary projects. Revenues from these projects are used to meet operational requirements for the projects and are used to pay debt service on the bonds issued to finance the projects. The strength of the SRB program is its consolidated pledge of gross revenues to the bondholders, which has improved credit ratings and reduced the CSU's cost of capital.

The system-wide policy for Debt Service Coverage Ratio is a minimum of 1.45 to maintain the CSU credit position. The minimum requirement of the DSCR for a combined campus and its auxiliary operations is 1.35, and is 1.10 for stand-alone projects. The minimum require for an auxiliary organization or its stand-alone project is 1.25.

CI Bond Debt and Debt Service

The Site Authority has current outstanding bond debt totaling approximately \$136,585,000 with 2014 annual debt service of \$11.6 million. Revenues generated by the SA from apartment rental operations, tax increment, home resale transaction fees, and cogeneration plant revenues are insufficient to pay the annual debt service obligations, requiring financial contributions from the CO. The annual debt service obligations are projected to increase annually through 2032 by an average annual amount of approximately \$300,000. Apartment rental revenues are not expected to keep pace with the escalating debt service and the power sharing agreement for the cogeneration plant expires in 2018, likely resulting in a power revenue decrease after its renegotiation. These circumstances will require increasing annual contributions from the CO.

Economic and Market Outlook

National Outlook

After a slow recovery from the severe recession of 2007-2011, the economy is expected to grow at a solid pace in 2015 and the subsequent few years. As the economic recovery builds steam nationally, Gross Domestic Product (GDP) growth is expected to grow by 3.4% annually in 2015 and 2016. Beyond 2017, however, the Congressional Budget Office (CBO) expects that economic growth will diminish to a pace that is well below the average of the past several decades due in part to slower growth in the labor force partially caused by the aging baby-boom population. Shorter term though, the increases in output over the next few years are expected to have a positive effect on the unemployment rate which, according to the CBO, will decline gradually in 2015 and 2016, dipping below 6.0% in 2017. This slower rate is caused in part by a higher rate of participation in the job market as those who have historically given up looking for work due to lack of job opportunities return to the job market. Longer term, the national unemployment rate is expected to drift down from 5.8% in 2017 to 5.5% in 2024.

Federal debt has substantially increased in recent years due to large budget deficits; the amount of debt relative to the size of the economy is now very high by historical standards. It is estimated that public federal debt will be 74% of GDP at the end of this year and 79% of GDP in 2024. This unwelcome growth in the federal debt is expected to have serious negative consequences, including the hindering of long-term economic growth, less flexibility for policymakers to respond to unexpected economic challenges and the increased risk of another fiscal crisis (in which investors would demand high interest rates to buy the government's debt). Assuming no legislative action that would significantly affect revenues or spending, the CBO projects that the federal budget deficit will fall from 4.1 percent of GDP in 2014 to 2.6 percent in 2015—and then rise again, equaling about 4 percent of GDP between 2022 and 2024.² The Federal Reserve has indicated that

² U.S. Congressional Budget Office

it will continue its program of quantitative easing of its stimulus program that began in 2008 and most economists predict a slow increase in interest rates by the end of 2015.

Over the next few years, the CBO expects further growth in housing construction and business investment will raise output and employment, and the resulting increase in income will boost consumer spending, further strengthening the economy. This strengthening of the economy is reflected in the Consumer Confidence Index which has more than tripled since bottoming in 2009 and is expected to improve further in 2015.³ The continuing economic growth, as well as evolving demographics, continues to bring strong demand levels for multi-family housing, boosting the sector to high expansion occupancy levels of 95.8% and enabling strong 12-month rent growth of 3.3%. The US also enjoys a strong absorption rate of 112.1% as compared to new multi-family deliveries.⁴

Home ownership rates have been in decline since peaking at 69% in 2004. In 2013, the ownership rate was 65.2%. The decline has been due to many factors such as the foreclosure crisis and tighter credit standards eliminating many potential homeowners from the equation. Additionally, high levels of student debt are forcing many younger buyers to either rent or live at home which delays ownership participation from this demographic⁵.

State of California Outlook

The continuing economic recovery seen across the country is supported in large part by the recovery in California. According to Wells Fargo, the State added 44,200 jobs in August, 2014, the largest in the nation. On a year-over-year basis, California has added almost 314,000 net new jobs, a gain of 2.1%, although the unemployment rate remained at 7.4% in August, above that of the nation at 6.1%. However, California's unemployment rate has fallen 1.5% during the past year, compared to a 1.1% drop in the national rate. Looking forward, the unemployment rate in California is expected to decline to 7.1% in 2015.⁶ Within the Southern California region, the unemployment rate ranges widely from Bakersfield (9.5%) to Orange County (5.4%). Los Angeles County and Ventura County rates are 8.5% and 6.8%, respectively, with Southern California as a whole at 7.7% as of August, 2014. Job growth in California has been seen both in the high-paying sectors of information technology and technical services as well as lower paying sectors such as leisure, hospitality and retail.⁷

Local Housing Outlook

Southern California has seen very strong demand for multi-family units with multi-family vacancy in the 3.0%-3.9% range. Absorption has been very strong in the Los Angeles area with a 146.2% rate

³ JLL US Multi-Family Outlook 2014

⁴ Ibid.

⁵ Los Angeles Economic Development Corporation (LAEDC)

⁶ Ibid.

⁷ Wells Fargo California Employment Conditions, August 2014

over new deliveries.⁸ Stronger job growth is allowing more young people to leave home and live on their own, however tighter lending standards as well as high student loan debt is causing more of this demographic to rent rather than own, supporting the overall strength of the California rental market. Multi-family has been a bright spot for new California construction over the past several years but the rapid pace of building that commenced soon after the recession has prompted worries that the pace of new completions could overwhelm demand. To date, improvement in underlying fundamentals (employment growth, household formation) suggest current demand can absorb supply. Still, the increase in completions will exert some upward pressure on the vacancy rate in the years ahead.⁹ Locally, the Ventura County housing market saw positive developments in both home prices and sales volumes in 2013. The median price for an existing single-family home rose to \$428,100, an increase of 20.2% compared with 2012. Similar to other regions in Southern California, increased demand for housing in Ventura County is constrained by tight lending standards and limited supplies of homes for sale.¹⁰

Despite the national decrease in ownership levels since 2004, stronger economic growth is expected to pull traditional buyers back to Southern California's housing markets. However, rising home prices and the promise of higher interest rates are a distinct headwind for homeownership. The number of homes sold in the \$300,000-\$800,000 range has been rising, with sales of homes priced above \$800,000 growing at an even faster rate. In contrast, sales of homes priced below \$300,000 have dropped off sharply because of a lack of homes for sale and because many homeowners in this market still owe more than their homes are worth.¹¹

Local Retail Outlook

Employment growth in Ventura County is expected to be strongest in wholesale and retail trade (+6,100 jobs), education and healthcare (+4,800 jobs), construction (+4,400 jobs), leisure and hospitality (+4,400 jobs), and professional services (+3,900 jobs). Together, these sectors will account for 80 percent of net job creation over the 2013-2018 timeframe. During this same timeframe, projected retail sales growth in Ventura County is expected to increase 18.3%.¹²

A significant driver boosting the California retail economy is its strong Hispanic population as the U.S. Hispanic market represents the fastest growing segment of the American population. By 2050, it is projected that Hispanics will make up one-third of the U.S. population, meaning the Hispanic consumer will no longer be a minority in the U.S. and will only continue to grow as a demographic. Given that the average Hispanic consumer is 28 years old (falling inside the tech-savvy Millennial demographic) it is no surprise that 71% use their mobile devices to seek out content including brand

⁸ JLL US Multi-Family Outlook 2014

⁹ LAEDC

¹⁰ LAEDC

¹¹ Ibid.

¹² Ventura County Economic Forecast, California Department of Transportation

information, reviews and anything that helps them to make purchasing decisions. Given the rapid adoption of smartphones and mobile devices for retail purchases, the Hispanic population will prove to be a strong driver of retail consumption going forward and California will be a beneficiary of that.

Local Hotel Outlook

An abundance of fine dining, wine tasting, a myriad of outdoor activities and 43 miles of coastline attract visitors seeking to get away for the weekend or needing a stopover point between Los Angeles and San Francisco has certainly helped Ventura County's leisure and hospitality sector in 2014. Ventura boasts a strong market for tourists looking for an alternative to the higher priced Santa Barbara area and additional benefits include the proximity to Los Angeles County and more affordable lodging. In 2014, the number of occupied rooms increased by 1.3% with hotel occupancy rates reaching 69.2%, and average daily room rates rising by 3.0%. The revenue per available room (RevPAR) is expected to increase by 4.4% to \$73.56.¹³ As with retail, the leisure and hospitality sector is expected to provide strong employment growth in Ventura County with an estimated 4,400 jobs for the 2014-2018 period.¹⁴

¹³ LAEDC

¹⁴ California Department of Transportation

VII. Three Alternative Implementation Strategies

The culmination of the JLL team’s research and analysis efforts is the formation of three CI 2025 financing and implementation strategies, or scenarios. Each scenario is a multi-dimensional set of data, tasks, time schedules, and methods intended to advance CI’s capital expansion goals and fiscal objectives. Included in each scenario are estimated valuations of key portions of existing real estate; solicitation, marketing, and procurement methods; construction delivery approaches, financing mechanisms, recommended next steps, and estimated timelines for implementation. The three scenarios are identified as follows:

Scenario #1 – Status Quo	The Status Quo scenario, or the Base Case, assumes CI takes no proactive steps to replace or supplement State funding for CI 2025 implementation. This scenario is the benchmark against which the alternate scenarios will be compared.
Scenario #2 – Proactive	The Proactive scenario implements many of the innovative strategies identified by the JLL team but it a somewhat measured approach.
Scenario #3 - Ambitious	The Ambitious scenario fully implements all of the recommended strategies identified by the JLL team at an accelerated but attainable pace.

The CI 2025 plan established timing goals for the delivery of certain new capital projects, divided into three primary periods: **Near-term**: years 1-6 (2015-2020), **Mid-term**: years 7-11 (2021-2025), and **Long-term**: years 12 and beyond (2026-2035). The JLL study includes only those projects identified for the Near-term and Mid-term phases. Table 1 summarizes the key assumptions of each scenario.

Table 1 - Key Scenario Assumptions

Assumptions		Scenario #1 Status Quo	Scenario #2 Proactive	Scenario #3 Ambitious
1.	University Glen - Phase 1 existing rentals	Site Authority continues long-term ownership of rental units and the University Glen Corp. continues operations and management. Site Authority receives 100% of net cash from operations. The rental units' share of Mello-Roos bond special assessments are paid from the apartments' net operating income.	Site Authority converts existing 88 rental townhomes to for-sale units as existing tenant leases expire and sells the units to homebuyers based on the approved priority system. Site Authority continues ownership of existing rental units. The Site Authority receives 100% of profit earned from townhome sales, 1% fee upon unit resales, and 100% of net cash from operations of rental units. Timing: a Near-Term project (Years 1-6).	Site Authority converts existing 88 rental townhomes to for-sale units as existing tenant leases expire and sells the units to homebuyers based on the approved priority system. Site Authority issues a solicitation and competitively sells remaining 328 rental units that are not located in the Town Center to a private owner/operator. Site Authority enters into a ground lease with the buyer of the existing rental units. Site Authority receives cash payment at transaction closing for value of apartments plus future ground lease revenues. The apartment unit ownership reverts back to SA at end of ground lease. Site Authority continues to collect rental revenues from the Town Center units and retail. Timing: a Near-Term project (Years 1-6).
2.	University Glen - Phase 2 undeveloped site	Site Authority issues a solicitation and competitively selects a private homebuilder to design and construct 242 for-sale single-family homes as specified in the Specific Reuse Plan and EIR. Site Authority enters into a ground lease with private entity and only receives 1% fee upon home resales since developer will assume all risks. The developer profit margin is not likely to support any significant ground lease payments to the SA.	Site Authority issues a solicitation and competitively selects a developer/operator with which to enter into a ground lease. The developer will assist with processing a new EIR, design, construct, own and operate approximately 590 apartment units and pays escalating ground lease revenues to the SA. Developer will own and operate completed apartment buildings. The Site Authority may also collect property tax increment from the new development (pending legal review). Timing: a Near-Term project (Years 1-6).	Site Authority issues a solicitation and competitively selects a developer/operator with which to enter into a ground lease. The developer will assist with processing a new EIR, design, construct, own and operate approximately 590 apartment units and pays escalating ground lease revenues to the SA. Developer will own and operate completed apartment buildings. The Site Authority may also collect property tax increment from the new development (pending legal review). Timing: a Near-Term project (Years 1-6).
3.	University Glen - Town Center	No change - continue to operate Town Center residential and retail as-is.	Site Authority competitively selects a private developer (possibly same entity that develops the Univ. Glen Phase 2 project) to design, develop, operate and maintain a mixed-use project consisting of the existing uses and 3 levels of new student housing above ground floor retail, dining and entertainment uses on the eastern surface parking lot. A parking structure is constructed on the western parking lot to service the housing and retail. Timing: a Mid-Term project (Years 7-11).	Site Authority competitively selects a private developer (possibly same entity that develops the Univ. Glen Phase 2 project) to design, develop, operate and maintain a mixed-use project consisting of the existing uses and 3 levels of new student housing above retail, dining and entertainment uses on the both the eastern and western surface parking lots. A parking structure is constructed in the open space between the Town Center and library. Timing: a Near-Term project (Years 1-6).
4.	Cogeneration Plant Energy Revenues	Assume current energy revenues continue through March 2018, then reducing revenues by 20% each year thereafter due to new Power Purchase Agreement.	Assume current energy revenues continue through March 2018, then reducing revenues by 20% each year thereafter due to new Power Purchase Agreement.	Assume current energy revenues continue through March 2018, then reducing revenues by 20% each year thereafter due to new Power Purchase Agreement.
5.	New Private Development Opportunities	No change - assume no new private development on opportunity sites.	No change - assume no new private development on opportunity sites.	Assume a small hotel and conference center with dining is developed by a private developer through a ground lease with the Site Authority. The hotel and dining would complement and support speakers, conferences, athletic camps, and activities at the proposed Events Center. The Site Authority collects ground lease, sales tax, property tax and hotel tax revenues. Timing: a Mid-Term Project (Years 7-11).

Scenario #1 – Status Quo

The first scenario, labeled Status Quo, represents the implications of not engaging any new financing, operating, or real estate approaches, competing with other campuses and waiting in the queue for State funding for new academic facilities. By taking no new actions, CI will be unable to meet its student enrollment demand, introduce new academic programs and athletics, and meet its increasing debt service obligations. By not implementing any new strategies, the SA's outstanding bond debt will constrain the SA's ability to fund new projects and require increasing annual contributions from the CO to meet debt service obligations. Since the State is not expected to issue new SRB in the foreseeable future and the CSU system lacks current capacity to issue new debt, CI's expansion would stagnate with no funding prospects for new academic and laboratory buildings, a student health clinic, indoor athletic and events facilities, infrastructure, or a performing arts venue. Student housing production could potentially still occur since student housing fees would be pledged toward any bonds issued to fund new housing construction but would be rendered unnecessary due to stagnated enrollment growth. The Status Quo scenario is used as a benchmark for comparison with the alternative implementation scenarios, #2 and #3.

Scenario #1 assumes the SA continues to own and operate all existing apartments within University Glen, continues to collect 1% transactions fees upon University Glen home re-sales, and develops Phase 2 of University Glen with the planned 242 for-sale homes through a fee home developer.

Scenario #1 Project/Transaction Timeline

Calendar Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Implementation Strategies:											
University Glen – Phase Two / 242 For-Sale homes	 	 	 								
Student Housing Phase III (Santa Rosa Village)		 									
Student Housing Phase IV (San Miguel Village)		 			 						
Student Housing – Phase V (site TBD)					 			 			

-  Developer/buyer marketing, solicitation, and negotiations
-  Transaction closings
-  Project design, environmental, permits
-  Project construction
-  Project Completion

Scenario #1 Estimated Transaction Revenues (in millions)

Calendar Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Implementation Strategies:											
University Glen – Existing 474 apartments and retail	\$3.5	\$3.6	\$3.7	\$3.8	\$3.9	\$4.0	\$4.0	\$4.1	\$4.2	\$4.3	\$4.4
University Glen – Phase Two / 242 For-Sale homes	\$0	\$0	\$0	\$2.8	\$2.8	\$2.8	\$0	\$0	\$0	\$0	\$0
Totals	\$3.5	\$3.6	\$3.7	\$6.6	\$6.7	\$6.8	\$4.0	\$4.1	\$4.2	\$4.3	\$4.4

Scenario #2 – Proactive Strategy

The Proactive scenario contemplates that CI implements many of the JLL recommendations discussed in this report, but not all, and deploys some them at a more measured pace than could be possible.

Scenario #2 Project/Transaction Timeline

Calendar Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Implementation Strategies:											
University Glen – Phase One / 88 Townhomes											
University Glen – Phase One / 328 Apartments											
University Glen – Phase Two / 590 Apartments											
Town Center											
Hotel/Conference Center											
Student Housing Phase III (Santa Rosa Village)											
Student Housing Phase IV (San Miguel Village)											
Student Housing – Phase V (site TBD)											

-  Developer/buyer marketing, solicitation, and negotiations
-  Transaction closings
-  Project design, environmental, permits
-  Project construction
-  Project Completion

The revenue projections shown below assume future ground lease revenues will not be monetized until construction is complete and occupancy has been stabilized. JLL estimates the SA could conservatively achieve \$167.8 million in total revenues during the next 10 years by implementing the recommended strategies in Scenario #2. JLL has not projected which capital improvement projects identified in the CI 2025 plan would be funded since it has not yet been determined the amount of revenues that must be applied toward bond debt reduction.

Scenario #2 Estimated Transaction Revenues (in millions)

Calendar Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Implementation Strategies:											
University Glen – Phase One / 88 Townhomes	\$15.8	\$15.8									
University Glen – Phase One / 328 Apartments	\$75.2										
University Glen – Phase Two / 590 Apartments					\$37.3						
Town Center – existing + new development		\$16.1								\$7.6	
Hotel/Conference Center											
Totals	\$91.0	\$31.9	\$0	\$0	\$37.3	\$0	\$0	\$0	\$0	\$7.6	\$0

Scenario #3 – Ambitious Strategy

The Ambitious scenario contemplates that CI implements all JLL recommendations discussed in this report and deploys them at an expeditious but reasonable pace.

Scenario #3 Project/Transaction Timeline

Calendar Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Implementation Strategies:											
University Glen – Phase One / 88 Townhomes	 										
University Glen – Phase One / 328 Apartments	 										
University Glen – Phase Two / 590 Apartments		 	 								
Town Center		 		 							
Hotel/Conference Center							 				
Student Housing Phase III (Santa Rosa Village)		 									
Student Housing Phase IV (San Miguel Village)		 			 						
Student Housing – Phase V (site TBD)					 			 			

-  Developer/buyer marketing, solicitation, and negotiations
-  Transaction closings
-  Project design, environmental, permits
-  Project construction
-  Project Completion

The revenue projections shown below assume future ground lease revenues will not be monetized until construction is complete and occupancy has been stabilized. JLL estimates the SA could conservatively achieve \$167.8 million in total revenues during the next 5 years by implementing the recommended strategies in Scenario #3. JLL has not projected which capital improvement projects identified in the CI 2025 plan would be funded since it has not yet been determined the amount of revenues that must be applied toward bond debt reduction. Future revenues generated from the proposed hotel development are subject to results from a future market and economic feasibility analysis.

Scenario #3 Estimated Revenues (in millions)

Calendar Years	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Implementation Strategies:											
University Glen – Phase One / 88 Townhomes	\$15.8	\$15.8									
University Glen – Phase One / 328 Apartments	\$75.2										
University Glen – Phase Two / 590 Apartments					\$37.3						
Town Center – existing + new development		\$16.1		\$7.6							
Hotel/Conference Center									TBD		
Totals	\$91.0	\$31.9	\$0	\$7.6	\$37.3	\$0	\$0	\$0	\$0	\$0	\$0

VIII. Proposed Campus Facilities

CI 2025 NEAR-TERM PROJECTS

Wellness/Recreation Center

CI's existing student athletics, fitness, wellness, and health education facilities are woefully inadequate for the current and projected student enrollment. The Office of the President has made the planning and financing of a new comprehensive athletics and wellness facility one of CI's top near-term priority projects. Prospective university students frequently respond in surveys that the quality of campus fitness and athletics facilities is one of the top considerations when making their high education choice.

The CI 2025 identifies an approximate 8-acre site located west of Ventura Street at the northern edge of the West Campus that is currently occupied by surface parking lots, as well as Eldorado and Modoc Halls. This site was partially selected because of its proximity to the campus entrance for ease of access by campus visitors and its adjacency to the large North Campus surface parking lot. The JLL team, which includes SCB architects, Sports Plan Studio, and AECOM, collaborated with CI staff in site planning and building programming exercises that produced a phased RWC with the option of adding a larger Events Pavilion on the site concurrently or at a future date.

Site improvements will be required to accommodate the new development including utility relocation and undergrounding, demolition, grading, and other systems improvements. Site work for all of the phases is estimated to cost \$1.625 million while the utility relocation may cost an additional \$3 million.

Wellness/Recreation Center - Phase 1A

Located on the northeast corner of the site, the first phase (1A) of the WRC totals nearly 28,000 square feet in building area in two stories. Phase 1A is programmed to contain an approximate 15,000-square foot gymnasium with small equipment storage, locker rooms, restrooms, athletic training/classrooms and laundry areas as well as a lobby and vending area. Phase 1A is estimated to cost \$14.5 million plus an additional \$3 million to relocate existing utilities and perform other supporting infrastructure improvements.

This initial WRC phase will provide sufficient functional gymnasium space for competitive and intramural court sports, athletic training programs, assembly space for large campus events, summer conferences and symposiums, guest speakers, and fundraising banquets. It will also provide classrooms for future kinesiology, nutritional and other wellness academic programs. It is expected that the \$14.5 million in development costs may be raised by the CI Foundation while the

\$3 million in infrastructure improvements could be funded by other revenue sources identified in this report. The timing of project implementation will be dependent upon securing the necessary funds for its design, construction, and operation.

Wellness/Recreation Center - Phase 1B

The subsequent phase of the WRC, labeled 1B, is contemplated to expand the previous phase on its south side with 22,000 square feet of additional two-story building area. This phase is expected to include an approximately 12,700 square foot fitness center with cardiovascular equipment, as well as yoga and group training rooms. The phase would also provide sports medicine space and additional equipment storage, locker rooms, and laundry. Phase 1B is estimated to cost \$5.5 million, including fitness equipment.

The timing for the implementation of Phase 1B will be dependent upon the availability of revenues to fund its design, construction and operation. Potential funding sources include charitable funds raised by the CI Foundation, revenues from the SA, State Revenue Bonds, and student athletic facilities fees, among others.

Science 2 Lab Building

CI's science programs are experiencing great demand for new academic space, including interdisciplinary classrooms and laboratories. The JLL team has performed preliminary space programming for the Science 2 Lab building and proposes an approximate 61,900 square foot building with space dedicated for upper division biology, chemistry, and nursing instruction to serve 80 FTES in UD laboratory space. The program also includes 22 faculty offices. Many faculty members, when interviewed, preferred that future academic buildings provide as much flexible use space and computer labs are possible, including student study areas and a café serving light food and beverage options for faculty and students. Costs are estimated at \$44.58 million for the Science 2 Lab building, including utility connections and site improvements. The commencement of the Science 2 Lab building is dependent upon the availability of funding which may include revenues from the SA and proceeds from SRBs.

Health Clinic / Child Development Center

CI's student health services are currently being provided from a 1950s-era modular-type structure that is a remnant post office from the former State hospital. The existing structure provides only three small exam rooms, a vastly undersized lab space, small patient waiting area, and only a single restroom for patients and staff. Existing facilities are grossly inadequate for the current and projected student population. CI desires to offer health care services to faculty and staff in the future, similar to most other CSU campuses. Current health care services are provided through the County pursuant to contracts for ambulatory services, nurse practitioners, medical assistants, and electronic medical records. CI plans to hire a health educator in the near future. Mental health and

counseling services are provided through CI-employed professionals in the Bell Tower building located on another portion of the campus.

CI 2025 contemplates a new comprehensive health center to be delivered during the near-term period that will combine medical and mental health services into one facility that will serve students, faculty and staff with longer hours of operation. It is also desired that the new center also provide a day care center for the children of students, faculty, and staff. The day care center can also act as an educational laboratory for students studying child psychology, education and development. As the Affordable Care Act (ACA) is changing the way in which medical and mental health care is being delivered and funded, it may also impact the way in which on-campus services are provided in the future. As such, it is recommended that CI continue to explore alternative approaches to delivering services in the proposed new facility including public-private partnerships with private regional health care systems or federally qualified health care providers.

JLL prepared a preliminary space program and cost estimate for a new facility that assumes a renovation of approximately 13,000 square feet in Arroyo Hall and 8,000 square feet of new construction dedicated for medical and mental health care services that would include six exam rooms, waiting areas, restrooms, and lab space. A 5,000 square foot child development center with outdoor space is also included. The new facility is estimated to cost \$12,350,000, including site work and utility improvements and connections, and its implementation is dependent upon funding. Potential funding sources may include student health care facilities and services fees, SA revenues, public-private partnership financing, and SRB revenues.

Student Housing – Santa Rosa Village

CI's critical on-campus student housing inventory deficiency is in the process of being partially alleviated by the new 600-bed Santa Rosa Village project that has secured necessary State funding approvals and commenced construction in November 2014. The project will also include new communal and support spaces and will be implemented concurrent with the 20,000 square foot expansion project of the adjacent dining hall. The completion of this project by August 2016 and its corresponding increase to the student housing inventory has been considered in the student housing section of this report.

Near-Term Infrastructure Improvements

The utility services on the main campus are generally of sufficient size and capacity to serve all the planned expansion in the short and mid-term plans. Individual projects will require utility infrastructure improvements within their location to provide greater resilience or service to the campus overall. The WRC will require relocation of existing sewer and storm water drainage within the overall future project footprint. Implementation of the student health and child development

center will require connection of the campus main water connection between existing legs to form a continuous loop. All near-term projects will require connections to existing wet and dry utilities.

CI 2025 MID-TERM PROJECTS

Wellness/Recreation Center - Phase 2

As a continuation of the near-term WRC project, the next phase of the facility will provide students and student-athletes with 8,100 square feet of additional court space for CCAA or GSAC basketball, volleyball and other indoor sports, a state-of-the-art 12,000 square foot strength training facility in a two-story expansion that also includes additional locker rooms, group exercise, office space for athletic department staff and faculty, 1,000 square feet of educational space for nutritional and kinesiology programs as well as a computer lab, and an outdoor training deck. The expansion totals 54,800 square feet with an estimated development cost of \$21.5 million. Similar to Phase 1B, its implementation timing is dependent upon funding availability, which may include CI Foundation fundraising efforts, SA revenues, State Revenue Bonds, and student athletic facilities fees.

Events Center

As CI's student enrollment, and athletics and academic programs grow, it is contemplated that a larger indoor court and multi-purpose facility will be required. The final phase of the WRC project is a proposed to add approximately 117,000 square feet of additional multi-functional space to the WRC including a roughly 5,000-seat athletics and event venue providing NCAA regulation-size courts for inter-collegiate competition.

The event floor is a proposed 9,100 square foot area with back-of-house space for dressing rooms, audio-visual equipment, loading docks, and other programmed space necessary to also accommodate musical and other performances, speakers, conventions and exhibitions, festivals, and other community events during times when the space is not required for CI-related activities. The upper level of the complex includes nearly 5,000 square feet of club lounge and private suite space, amenities necessary to market a venue of this size to the media, athletic conferences, and talent promoters. Space is also programmed for facilities management, food and beverage concessions, press and broadcast services, and an entrance/lobby. The total development cost of the event pavilion is estimated at nearly \$68 million including site work and utility connections. Commencement of this project is dependent upon the availability of funding which may include revenues generated through public-public partnerships with other local governments, private funding including naming rights, sponsorships, ticket sales, tax increment revenues, SA revenues, SRB proceeds, and conventional debt and equity.

Gateway Hall

CI 2025 anticipates the need for an additional academic building during the mid-term period to keep pace with student enrollment growth and an expansion of math and science programs, needs for lecture halls, flexible classrooms and study space for 1,300 FTES, Student Academic Services (enrollment, advising, and cashier) and faculty offices. To meet this need, a two-phased renovation and addition to Gateway Hall is contemplated. The project will include approximately 46,100 square feet of renovated space and 37,700 square feet of new construction. Total costs are estimated at \$37 million, including site development, as well as utility improvements and connections. Implementation is dependent upon securing funding which may include SA and SRB revenues.

Student Housing – San Miguel Village

In response to the CI's student enrollment growth and corresponding need for on-campus housing, CI 2025 contemplates the next phase of student housing, San Miguel Village, to be delivered during the mid-term period. However, based on JLL's housing demand forecast, provided in the student housing section of this report, this next phase of housing will likely be required sooner – during the near-term period. Based on its preliminary assessment, the project should approximate 140,000 square feet in gross building area and include roughly 400 beds in 125 apartment units. Total development costs are estimated at \$52.2 million in present value and include site and utility improvements and utility connections.

Performing Arts Center

As CI's student enrollment increases, so will its need for an established arts curriculum, including the performing arts. Similar to most other mature CSU campuses, CI 2025 envisions the delivery of a new performing arts center during the mid-term period. The JLL team's preliminary space program assumptions include a 60,000 building that includes a 500-600 seat theatre, preparation and practice rooms, and a black-box performance space. The center is estimated to cost \$63.5 million in present value, including site improvements and utility connections.

Conference Center

CI has a very active and engaged student body that has formed four official entities:

- Associated Students Incorporated (ASI) – the campus student government
- Student newspaper
- Student year book
- Student programming board

In addition to these officially recognized organizations, numerous informal student clubs exist including multi-cultural, veterans' affairs, LGBT, music, and judicial affairs, among others. One sorority has formed on CI's campus, Gamma Beta Phi, which has been recognized as a 2014 "Outstanding Chapter in the Nation" for its thousands of hours in community service.

CI's growing number of student organizations and events is creating the need for a conference center in which the groups can meet, conduct their business, practice, and host student-related events and presentations. Recognizing this growing need, CI 2025 anticipates a new conference center being delivered during the mid-term period. The JLL team's preliminary space program contemplates an approximate 36,000 square foot facility that also provides study lounges and gaming areas to augment the current student union. Total development costs are estimated at \$18.9 million, including site development and utility connections. Its delivery will be dependent upon funding which may include student facilities fees, SA revenues, and SRBs. JLL believes there may be an opportunity to secure a small hotel and conference center through a public-private partnership opportunity during the mid-term period (see the Site Authority section of this report) that may be able to deliver the conference facility at lesser costs by sharing space with revenue-generating meetings and events marketed by the hotel operator and CI.

Mid-Term Infrastructure Improvements

Development of the San Miguel Village student housing project will require modification to the existing road layout to provide traffic continuity. The Gateway Hall and San Miguel Village projects will require connection of the campus main water loop between existing legs and all mid-term projects will require connection of wet and dry utilities to existing infrastructure.

IX. Student Housing

The CI Office of the President and the CI 2025 plan have established a goal of providing 25% to 30% of enrolled students with on-campus housing options. CI also desires that the availability of on-campus housing inventory and associated amenities correspond with future 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.

Current Supply and Demand

CI has current capacity to house approximately 824 students on campus, based on unit configuration and design, within two student housing developments, Anacapa Village and Santa Cruz Village. Anacapa Village contains 96 units housing 357 students, of which nine are non-revenue generating Resident Assistant beds. The Santa Cruz Village development contains 141 units housing 467 students, of which eleven are non-revenue generating Resident Assistant beds. CI recently increased the student housing inventory by 108 beds by permitting students to reside in the 58 units located in the Town Center development, including four Resident Assistant beds. By adding the Town Center apartments to the student housing inventory, the campus now supports, based on design, a total of 932 students in 295 units, averaging just over 3 beds per unit.

Because the demand for on-campus student housing has increased from 48% to 55% of all students (nearly two-thirds of freshmen prefer to live on campus), CI staff has implemented a bed compression program – modifying numerous on-campus apartment units to accommodate a greater number of students. While this program is a necessary short-term fix, resulting in a less than desirable living and learning environment, it is not a long-term solution. CI has been able to provide on-campus housing to 357 additional students through the bed compression program increasing the on-campus population to 1,282. Bed compression has increased the average occupancy to 4.35 beds per unit. Table 2 summarizes the on-campus housing inventory for the 2014-15 academic year.

Table 2 – On-Campus Student Housing Inventory

On-Campus Student Housing Beds - 2014/15 Academic Year								
Anacapa Village	Number of Units	Bedrooms	Occupants/ Bedroom	Design Occupancy	Beds/Unit by Design	Actual Occupancy	Beds/Unit by Occupancy	Beds Gained from Compression
Suites	87	4	4	348	4.0	510	5.9	162
Studios	9	1	1	9	1.0	9	1.0	0
Total Occupancy	96			357	3.7	519	5.41	162
Resident Assistant Beds						9		
Revenue Earning Beds						510		
Santa Cruz Village	Number of Units	Bedrooms	Occupants/ Bedroom	Design Occupancy	Beds/Unit by Design	Actual Occupancy	Beds/Unit by Occupancy	Beds Gained from Compression
Suites	104	4	4	416	4.0	613	5.2	169
Double	14	1	2	28	2.0			
Studio	19	1	1	19	1.0	19	1.0	0
2 bedroom apartment	1	2	1	1	1.0	1	1.0	0
1 bedroom apartment	3	1	1	3	1.0	3	1.0	0
Total Occupancy	141			467	3.3	636	4.51	169
Resident Assistant Beds						11		
Revenue Earning Beds						625		
Town Center	Number of Units	Bedrooms	Occupants/ Bedroom	Design Occupancy	Beds/Unit by Design	Actual Occupancy	Beds/Unit by Occupancy	Beds Gained from Compression
Studio	18	1	1	18	1.0	30	1.7	12
One Bedroom Apartment	30	1	2	60	2.0	60	2.0	0
Two Bedroom Apartment	10	2	3	30	3.0	37	3.7	7
Total Occupancy	58			108	1.9	127	2.19	19
Resident Assistant Beds						4		
Revenue Earning Beds						123		
Totals	295			932	3.2	1,282	4.35	350
Resident Assistant Beds						24		
Revenue Earning Beds						1,258		

In addition to the on-campus housing strategies, CI staff has negotiated agreements with apartment complexes and motels located in the nearby City of Camarillo to secure accommodations for more students as a supplemental interim measure. 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. New off-campus housing supply is also constrained by anti-growth ordinances and zoning that limits density in most incorporated areas. JLL prepared an updated student housing market study in July 2014 that provided detailed evidence of the limited off-campus rental housing supply. With vacancy rates less than 4%, the 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.

Projected Supply and Demand

JLL estimates a current student housing inventory shortfall of approximately 271 beds, or 628 beds if bed compression were discontinued. That deficit is expected to continue through 2015-16 as student enrollment remains constant at approximately 5,200 FTES and no new on-campus housing comes online until fall 2016. University staff issued a Request for Proposals (RFP) in early 2014 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 Santa Rosa Village complex commenced construction in November 2014 and is scheduled for completion in time for the fall 2016 semester. Based on CI enrollment growth projections, JLL estimates that at least 700 additional beds will be required to meet on-campus housing demand in the 2017-18 academic year.

Based on CI's on-campus housing goal of 30% of FTES and a 2025 projection of 10,700 full-time enrolled students, approximately 3,210 beds will need to be available. Table 3 provides an annual forecast of housing demand, recommended new housing projects, and inventory shortfalls. If each of the proposed projects cited in the table below is implemented, CI can achieve its 30% on-campus housing goal by 2025 while concurrently slowly reducing and eventually eliminating the bed compression measure. Based on JLL's projections and assumed new unit production, CI may be able to greatly reduce bed compression during the 2016-17 academic year and virtually eliminating its need by 2019-2020 academic year.

Table 3 – CI Student Housing Supply/Demand Forecast

Student Housing Development Requirements														
Years	30%	Number of FTE's	Student On Campus Housing Need at 30%	New Beds Proposed	Total Beds Available	Shortfall Remaining	Number of Units Added	Total Number of Units	Design Occupancy/ Unit	RA Allocation (included in total bed count)	Compression/ Surplus to accommodate 30% demand	Beds per Unit	Percent of FTES Housed w/out Compression or RA Units	Location
	A	B	C=30% x B	D	E=D+prior E	F=C-E	H	I=H+prior I	J=E/I	L	M=E-C	N= C/I	O=E/B	P
Currently in Place	932	5,200	1,560	0	932	628	295	295	3.16	24	(628)	5.29	18%	Anacapa, Santa Cruz and Town Center
2014-2015		5,200	1,560	0	932	628	0	295	3.16		(628)	5.29	18%	
2015-2016		5,200	1,560	0	932	628	0	295	3.16		(628)	5.29	18%	
2016-2017		5,616	1,685	600	1,532	153	315	610	2.51	15	(153)	2.76	27%	Santa Rosa
2017-2018		6,065	1,820	0	1,532	288	0	610	2.51		(288)	2.98	25%	
2018-2019		6,551	1,965	270	1,802	163	142	752	2.40	4	(18)	2.42	28%	Town Center Redevelopment
2019-2020		7,075	2,122	700	2,502	0	350	1,102	2.27	8	537	1.78	35%	San Miguel
2020-2021		7,641	2,292	0	2,502	0	0	1,102	2.27		210	2.08	33%	
2021-2022		8,252	2,476	0	2,502	0	0	1,102	2.27		26	2.25	30%	
2022-2023		8,912	2,674	700	3,202	0	350	1,452	2.21	8	726	1.70	36%	Future Site
2023-2024		9,625	2,887	0	3,202	0	0	1,452	2.21		315	1.99	33%	
2024-2025		10,395	3,118	0	3,202	0	0	1,452	2.21		84	2.15	31%	
Totals				3,202			1,452			59		2.15		
* Inventory forecast assumes 56% Freshmen units (Residence Hall) and 44% Upper Division units (Apartments)														

Future Student Housing Projects

The Santa Rosa Village development is scheduled for occupancy in the 2016-17 academic year. If developer selection begins in 2015, the redevelopment of the Town Center parking lots could provide approximately new 336 beds and be available for occupancy by the 2018-19 academic year. The subsequent proposed housing project, San Miguel Village, should be designed to accommodate at least 670 beds and be available for occupancy by the beginning of the 2019-20 academic year. An additional site located immediately to the east of the San Miguel Village site should be reserved for housing, designed to accommodate roughly 670 beds, and be available for occupancy by the 2022-23 academic year. Implementing all of the above projects could yield approximately 3,213 beds by 2025 and achieve CI's 30% on-campus housing objective. If the on-campus housing goal were reduced to 25%, approximately 400 fewer beds would be required. JLL recommends that CI consider the potential benefits of public-private partnerships to finance and deliver future housing projects. Shifting financing, design, construction, and operating responsibility and associated risk to a well-qualified private developer/operator can advance the CI's goals of reducing university debt and potentially reduce the development and operating cost of student housing. Such partnerships could be structured pursuant to long-term ground leases and/or rental unit master leases. Student housing fees would need to be adjusted annually to fully cover individual housing project master lease or debt service and operating expenses.

The site plan below identifies the locations of the current and proposed student housing villages, including respective bed counts, to meet CI's goal of housing 30% of the student FTES.



CI's on-campus student housing fees for the 2014-15 academic year range from approximately \$11,200 to \$14,000 for two semesters, based on unit type and meal plan selected. Deducting meal plans from the fees, the average student cost for on-campus housing is \$10,008. The CI rates are 11.8% greater than the CSU system-wide average of \$11,520 for a single apartment bed space, but are

favorable compared to off-campus housing costs when utilities, deposits, transportation costs, and meals are considered. Most campuses in the CSU system are more heavily weighted toward residence halls rather than apartments, resulting in average system-wide housing fees less than CI's apartment-dominated housing.

The CI student housing fund (gross housing revenues less normal operating expenses) generated approximately \$1.1 million in positive net cash flow during the 2013-14 academic year, which was deposited into the housing reserves account.

Prototype Student Housing Project – Design/Build

To illustrate a typical new student housing project procured and delivered pursuant to CI's traditional design/build process and financed with CI revenue bonds, JLL prepared a simplified analysis presented in Table 4 below. A primary factor influencing the development cost of future student housing projects will be the type of units needed and constructed: either residence halls or apartments. The following table summarizes the range of housing development assumptions in 2014 values.

Assumption	Value
Space requirement per bed	275 – 300 square feet
Total development costs per gross building square foot	\$240 - \$300
Total development costs per bed	\$75,000 - \$90,000
Annual estimated cost escalation	3.0%

This illustrative housing scenario assumes a 600-bed development to be delivered in summer 2018, total development costs of \$85,000 per bed, and tax-exempt bond financing for 100% of the development costs with an annual interest rate of 6.50% for a 25-year term. Applying an annual inflation rate of 3.0% to the 2014-15 average student housing fee of \$10,008 yields a 2018 average housing fee of approximately \$11,000.

Table 4 - Illustrative Student Housing Proforma using a Design/Build Approach

Assumption	Value
Number of Beds	600
Development Cost/Bed	\$85,000
Total Development Cost	\$51,000,000
Bond Term	25
Bond Rate	6.50%
Annual Housing Cost/student excluding meals	\$11,000
Operating Expenses as a % of Gross Revenues	30.00%
Replacement Reserve as a % of Gross Revenues	2.00%
Projected Occupancy	95.00%
Total Revenues	\$6,270,000
Operating Expenses	\$1,880,000
Net Operating Income	\$4,390,000
Debt Service	\$4,200,000
Net Cash Flow	\$190,000
Replacement Reserves	\$130,000

This prototype analysis concludes that per student housing fee of approximately \$11,000 should be sufficient to cover development and operating costs, debt service, and a set-aside for capital repairs and replacement. More specific analyses should be conducted after determinations are made on site location, project design and site configuration, unit mix, and procurement and delivery method.

Prototype Student Housing Project – Public/Private Partnership

CI could consider implementing one or more future student housing projects through a public-private partnership (P3) with a qualified student housing development team. The benefits of a P3 are the transfer of financing, development cost, scheduling, as well as operating responsibility and risk to the private developer. A P3 structure would typically be based on a long-term ground lease, a master lease of the residential units by CI, and the developer earning a specified minimum annual return on equity. Terms could be negotiated to incentivize the developer to explore methods to minimize development costs and efficiently operate the project. Similar terms could be negotiated for revenue sharing for earnings exceeding a specified developer return on investment.

The simplified proforma in Table 5 illustrates a prototypical P3 student housing project using similar assumptions as in the previous design/build scenario. Debt and equity assumptions have been modified to reflect conventional private sector financing terms. A greater borrowing cost of 8.0% on a 60% loan-to-cost ratio over a 25-year amortization period was assumed. A developer may be able

to take advantage of CI's access to lower cost tax-exempt financing if the transaction is strategically structured. The developer would be responsible for replacement reserves and operating expenses. The transfer of risks and responsibilities to the private developer are likely to require a housing revenue premium of up to 20%, or a total student fee of \$13,300 per academic year, in this example. This premium may be mitigated by the developer innovating ways to reduce development costs, accessing CI's lower cost tax-exempt financing, and operating the completed project more efficiently.

Table 5 - Illustrative Student Housing Proforma using a Public/Private Partnership

Assumption	Value
Number of Beds	600
Development Cost/Bed	\$85,000
Development Cost excluding Interest Carry Costs	\$51,000,000
Interest Carry Costs	5%
Interest Carry Costs	\$2,550,000
Total Development Costs	\$53,550,000
Loan	60.00%
Equity	40.00%
Loan	\$32,130,000
Equity	\$21,420,000
Loan Rate	8.00%
Loan Term	25
Required Minimum Equity cash flow	5.00%
Annual Housing Cost/student excluding meals	\$11,000
Operating Expenses as a % of Gross Revenues	30.00%
Replacement Reserve as a % of Gross Revenues	2.00%
Projected Occupancy	95.00%
Total Revenues	\$6,270,000
Operating Expenses	\$1,880,000
Net Operating Income	\$4,390,000
Debt Service	\$3,000,000
Net Cash Flow	\$1,390,000
Replacement Reserves	\$130,000
Net Cash Flow Remaining	\$1,260,000
Profit on Developer's Equity	5.88%
Cap Rate	6.80%
Asset Value at Completion	\$65,000,000

IRR for full term hold	13.08%
Cash Multiple for full term hold	9.59

To ensure the next phase of student housing, San Miguel Village, is delivered by 2018-19, CI will need to assess and decide on the finance and delivery approach preferred during 2015. Solicitation documents for a design/build or P3 partner should be issued by 2015 year-end to allow sufficient time in 2016 for team selection, design, and financing of the new housing project.

X. Site Authority

Background

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 and hotel 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 views the SA as an extremely valuable asset to CI and to the CSU system as an efficient and flexible vehicle through which to implement strategic campus-related improvement projects that can produce significant revenues for campus development. JLL has focused much of its market and financial feasibility analyses on the properties currently controlled by the SA and opportunities for the SA to create new revenues for key academic and student life objectives of CI 2025. In each of its proposed strategies, JLL also evaluated the potential level of risk to the SA, CI and the CSU system to provide the decision makers with a complete palette of information.

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 Broome Central Library, (2) the University Glen residential and retail master planned community and, (3) acquisition and operation of the campus cogeneration plant. 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 at the perimeter of the campus. The project is intended to be developed in two phases. To date, the first phase that consists of the Town Center retail and 658 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 attached and detached for-sale units which have not yet been constructed due to the severe economic recession of 2007-2012 which caused turmoil in the nation's capital and financing markets and fueled high unemployment and under-employment.



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.

The SA's inability to develop Phase 2 in a timely manner has delayed the SA's receipt of sales proceeds and reimbursement of its share of Mello-Roos debt service. This, combined with its unexpected assumption of Library bond debt service has led the SA into a negative annual cash flow position. Absent a significant improvement in financial position, new revenues and/or debt

reduction, the SA will require increasingly greater amounts of annual cash advances from the CSU Chancellor's Office to fund cash flow shortfalls for the foreseeable future.

University Glen Corporation

The University Glen Corporation was formed as a 501 (c)(3) corporation to provide property management services to the Site Authority. The Corporation operates pursuant to operating agreements with both CI and the Site Authority and manages the residential and retail properties within the master plan area.

Site Authority Housing Program

The CI Site Authority Specific Reuse Plan, approved in June 2000, identified three parcels owned by the SA within the East Campus Development Area that can be developed with up to 900 residential units in a combination of rental and for-sale product. While University Glen was not originally contemplated to house students, a recent shortage of on-campus student housing has created the need for placing students in some Phase 1 rental units. The CI campus distance from nearby Camarillo housing, retail and services creates a strong need for the university to provide housing nearby. Due to local ordinances restricting future real estate development beyond urban growth boundaries, there are no realistic prospects for off-campus housing to be developed closer to campus or for the constrained and expensive rental housing availability to increase for many years (see Attachment B - *CI Student Housing Market Study Update* prepared by JLL (July 2014)). The following table summarizes the existing and proposed development parcels.

University Glen Site	Approx. Size	Status
Parcel A	31.5 acres	Infrastructure in place for 242 homes (122 detached, 120 attached); homes not constructed
Parcel B	20.5 acres	474 rental apartments and townhomes 184 for-sale single family and townhomes constructed; sold or operating
Parcel C	24.5 acres	

Current Site Authority Bond Indebtedness

The SA currently has four outstanding bond issues related to the development of the University Glen infrastructure and housing: one infrastructure bond and three housing bonds. The total bond indebtedness of the one infrastructure and three rental housing bonds is approximately \$139,670,000. Following several years of debt service payments, the outstanding balances as of July 2014 totaled \$137,480,000. Table 6 summarizes the existing bonds.

Table 6 – Site Authority Infrastructure and Housing Revenue Bond Balances

Bond Purpose	Year Issued	Original Balance	Balance July 2014	Year of Maturity
Infrastructure	2007-A	\$43,935,000	\$43,040,000	2031/32
Rental housing	2007-A	\$42,690,000	\$40,550,000	2031/32
Rental housing and Town Center	2004	\$48,810,000	\$48,760,000	2044/45
Rental housing and Town Center (Taxable Portion)	2007-B	\$4,235,000	\$4,235,000	2037/38
Totals		\$139,670,000	\$136,585,000	

The University Glen bonds have been refinanced several times since issuance. Debt service on the infrastructure and revenue bonds is intended to be derived from the following six sources:

- property taxes generated from the apartments;
- special taxes – Mello-Roos (Community Facilities District) assessments collected from the homes and apartment buildings;
- sales tax from the retail tenants;
- a one-percent (1%) fee paid upon the resale of each home;
- net revenues from the rental properties; and
- net revenues from the cogeneration plant.

In addition to the housing bonds, the SA also has six outstanding bonds issued for the development of the John Spoor Broome Library. The total bond indebtedness of the six library bonds is \$61,400,000. Following several years of debt service payments, the total outstanding balance of the bonds as of July 2014 is \$58,950,000. Table 7 summarizes the library bonds.

Table 7 – Site Authority Library Bond Balances

Bond Purpose	Year Issued	Original Balance	Balance July 2014	Maturity Year
Library	2005-A	\$2,400,000	\$685,000	2014/15
Library	2013-A	\$19,440,000	\$19,440,000	2026/27
Library	2014-A	\$32,575,000	\$32,575,000	2037/38
Library-BAN	2005-A	\$880,000	\$145,000	2014/15
Library-BAN	2013-A	\$2,325,000	\$2,325,000	2026/27
Library-BAN	2014-A	\$3,780,000	\$3,780,000	2037/38
Total		\$61,400,000	\$58,950,000	

In 2007, all SA bonds – library, rental and infrastructure – were consolidated into the CSU system under the umbrella of the State Revenue Bonds (SRB). These bonds now form a pool together with other SRBs and are not secured by the University Glen properties or the library. However, the

revenues generated from the University Glen rental units are dedicated by the SA toward the State's bond debt service.

The SRBs are advance-funded, meaning they cannot be called until specific dates. For example, the bonds consolidated in 2007 cannot be called until 2017 and the bonds issued in 2005 cannot be called until 2023 and 2024. The bonds are not assignable to a third party, but to the extent that funds can be realized from a potential sale of the Phase 1 apartments, there could be a cash defeasance, meaning that the funds can be deposited into an escrow with the trustee (the State of California) from which the annual debt service payments can be paid until the bonds are callable.

Once the funds are placed in escrow, one or several bonds that equal the amount of the funds could be removed of the SA/CI balance sheet, meaning that the SA/CI will be relieved from the obligation to pay future debt service on those bonds.

University Glen - Phase 1

Current Status and Financial Performance

University Glen Phase 1 consists of 658 residential units, 474 of which are rentals and 184 are a combination of attached and detached residential units that have been sold to homebuyers. Of the 474 rental units, 58 are located within the Town Center complex, and 416 apartments are dispersed within the University Glen master plan area. The rental units located outside of the Town Center complex consist of a combination of 88 townhomes and 328 rental apartments in various configurations. The apartments are managed by The University Glen Corporation.

Evaluation of Alternatives

As a potential strategy for increasing SA near- and long-term revenues, reducing SA debt balances, and improving SA future cash flow, JLL evaluated the possibility of a sale of the existing University Glen retail and residential product. Continuing the status quo of owning and operating the Phase 1 rental properties will not provide the SA with sufficient cash flow to meet its future increasing debt service obligations or relieve its bond capacity for future academic and other CI 2025 needed projects. After completing an extensive evaluation of alternatives, which include continuing the status quo of relying on State and system-wide revenue bonds, JLL arrived at the following recommendations:

Recommendations - Existing Phase 1 Townhomes

JLL recommends that the current 88 for-lease townhome product located in the center of the Phase I development be brought to market as for-sale homes. Given their highly amenitized location and picturesque community setting among other single-family homes, JLL believes that these 88 townhome units would sell quickly and provide an immediate profit to the SA. Additionally, the sale

of the townhomes would decrease the available for-rent product in the immediate area, thus increasing demand for apartment product, setting the stage for both the sale of the Phase I apartment product with the potential to increase rents, as well as the development of the 31.5 acre Phase II parcel. Based on the current demand for University Glen for sale housing, the townhomes could sell in three to four months upon expiration of existing tenant leases via a controlled and methodical process and yield approximately \$31.6 million in gross sales value based on a *Residential Market Analysis* prepared in February 2014 by Robert Charles Lessor and Company – see Attachment C.

Recommendations - Existing Phase 1 Apartments and Retail

JLL recommends that the SA consider selling the Phase 1 apartments, excluding the Town Center, in the immediate time frame, to capture the high value currently placed on multi-family residential units in the Ventura County area, favorable cap rates, high occupancy rates, availability of institutional capital and historically low interest rates.

JLL evaluated the past three fiscal years of financial data for the 328 Phase 1 apartments not located within the Town Center and concluded that, based on its operating performance, location, amenities, condition and other factors, that their sale to a private investor could yield significant revenue from both immediate sale proceeds and in long-term ground lease payments. During fiscal years 2011-2013, the 328 apartments generated approximately \$6.6 million in weighted average annual Effective Gross Revenue and approximately \$3.48 million in Net Operating Income (NOI). Based on its historic operating performance, the comparable Ventura County apartment market, cap rates, and the potential for rental rate increases, JLL estimates the value of the 328 units at \$63.3 million and first year's ground rent at \$446,000. The SA's future escalated ground rent payments could be sold to an investor at a discounted rate (assumed 8.0%) netting a present value of approximately \$11.9 million in addition to the sales value of the units.

The Town Center consists of 58 rental apartments and 31,000 square feet of retail. This mixed-use development has earned a weighted average of \$1.13 million in Effective Gross Income during fiscal years 2011-13 and a Net Operating Income of \$456,000. Based on its historical and future potential operating revenues, location and condition, JLL estimates the SA could receive approximately \$13.5 million from the sale of the apartments, retail and parking with an additional \$2.60 million in present value of future ground lease payments. The 58 apartment units and retail represent a diverse investment opportunity as they appeal to various investment groups. Apartment investors, housing developers and student housing investors and developers would all be viable candidates as owners of this asset. This diversity creates opportunity for the SA as to how and when they make the Town Center available to investor partners.

However, JLL has also identified the Town Center complex as an opportunity for potential new development on the surface parking lots (as described later in this report) and recommends its sale

be postponed until further site evaluation be performed. Detailed analysis and strategy supporting each of the values presented above are included in Attachment D - JLL Broker Opinion of Value (November 2014).

The potential sale of the Phase 1 apartments would affect the operating budget of the SA, since the SA would no longer receive the net rental revenue from the Phase 1 apartments. Any potential sale of the Phase 1 apartments must be carefully structured to ensure the tax-exempt status of the revenue bonds is not placed in jeopardy and that the transaction is in compliance with all bond covenants and Internal Revenue Service rules. If the apartment investor pays cash or uses taxable financing for the transactions, there would likely not be an issue. However, if the investor proposes to finance the acquisition through a tax-exempt structure, stricter scrutiny will be required to ensure compliance. Any potential investor in the Phase 1 apartments should be required to perform their own tax due diligence through their accountants and tax counsel.

Proceeds from the transactions may be applied toward debt reduction, a debt service reserve, delivery of CI 2025 academic buildings and infrastructure, or a combination thereof. Table 8 summarizes the estimated value for each of the above products.

Table 8 – University Glen Phase 1 and Town Center Estimated Values

Property	Estimated Sales Value	Estimated Present Value of Ground Lease Payments	Estimated Total Present Value
Phase 1 - 88 Townhomes	\$31.6 million	N/A	\$31.6 million
Phase 1 – 328 apartments	\$63.3 million	\$11.9 million	\$75.2 million
Town Center – 58 apartments + retail	\$13.5 million	\$2.6 million	\$16.1 million
Totals	\$108.4 million	\$14.5 million	\$122.9 million

Recommended Next Steps

- CI staff should proceed with preparing, processing and recording a condominium map with the California Department of Real Estate and other appropriate authorities followed by a comprehensive marketing and sales campaign for the 88 townhomes;
- In parallel with the preparation for sale of the existing townhomes, JLL recommends the University should seek to package the remaining 328 Phase I apartment units for sale to a qualified investor. In preparation for marketing, CI should prepare financial statements for the apartments in a format customarily used by apartment operators and segregated by the units being offered for sale. As part of the marketing process, CI should prepare a Request for Proposals for issuance to the apartment investment community soliciting interest and offers. The marketing process would take three to four months to identify a buyer followed by a few

additional months to negotiate and draft the respective operating agreements, covenants and ground leases; and

- Concurrent with the above tasks, CI should determine the amount of net proceeds from the unit sales and ground lease payments that must be applied toward SRB debt reduction and/or set aside in a debt service reserve for existing bonds.

JLL recommends the 58 apartment units, ground floor retail, and surrounding parking lots located at the Town Center not be immediately sold, and remain within the ownership and control of the SA as an additional future investment and potential development opportunity.

University Glen - Phase 2

Current Status

JLL has identified the 31.5-acre undeveloped parcel within University Glen Phase 2 as an additional significant revenue-generating development opportunity for the SA. The parcel, also subject to a 99-year ground lease with the SA and with infrastructure in place, is currently contemplated for development of 120 attached and 122 detached for-sale homes. Because this parcel remains undeveloped, its share of infrastructure bond debt service is not being recovered from special assessments.

Evaluation of Alternatives

JLL assessed the planned development and sale of 242 new for-sale units in Phase 2 and compared it with the CI objectives of securing revenue sources to expand the campus to accommodate future student enrollment of up to 15,000 FTEs and providing accessible housing for faculty and staff as the university grows. A Residential Market Analysis prepared for Phase 2 in February 2014 valued the completed for-sale units at approximately \$97 million while current development costs are estimated at \$70 million. Assuming the SA partners with a private developer to design, finance, construct and sell the units in an effort to transfer risk, JLL believes the SA would only receive its 1% resale transaction fee at a present value estimate of \$6.5 million. The market could not support a ground lease payment to the SA nor the sharing of project profits with the SA since the developer would assume all of the risk. Self-development by the SA would not support CI's objectives of reducing SA debt and transferring risk.

JLL then considered current submarket data, development costs, rents, vacancy rates, and cap rates for rental apartments. Assuming that apartments would be significantly smaller in size than the planned for-sale product, while maintaining the same gross building area, JLL determined that the SA could generate significantly greater revenues by changing the Phase 2 development plan to rental apartments. Apartments would create a greater quantity and flexibility of housing for CI in the future while developing a product that is inherently of lesser development risk than for-sale homes.

Apartment Densities Considered

JLL evaluated a range of apartment densities that could be accommodated in Phase 2, the first of which assumed a total building area that approximates the total building area of the originally proposed 242 for-sale units (roughly 558,000 gross building square feet). Assuming an average unit size of 950 square feet and an 85% efficiency factor, JLL estimates the 31.5-acre parcel can accommodate roughly 590 apartment units. This option approximates a density of 19 units per acre.

Assuming the SA partners with a private developer/operator to implement the project, the estimated present value of annual ground rent payments and property tax increment to the SA over 81 years from the development of the 590 units is estimated to be \$37.3 million.

JLL also evaluated a 940-unit apartment scenario which would approximate the density of the existing apartments in University Glen Phase 1, or about 30 units per acre. Scenarios analyzed included a 100% rental product alternative and a 50% for-sale/50% rental product option. While the analysis found that apartments generate significantly greater value to the SA than for-sale product, it was decided to focus only on the 50% for-sale/50% rental scenario to provide a greater variety of housing product. This scenario yields an estimated \$35 million in revenues to the SA, similar to the 590-unit scenario, because the for-sale units produce lesser revenues to the SA than rental units. For a variety of reasons, including a density that may be too great for existing supporting infrastructure and require excessive environmental mitigation measures, CI staff decided not to pursue the 940-unit option. These analyses are summarized in Table 9 and details included in Appendix E.

Table 9 – University Glen Phase 2 Development Alternative Estimated Values

Program Alternative	Estimated Present Value of Sales Proceeds and Ground Lease Payments to the Site Authority
242 For-Sale Homes (self-finance and develop)	\$14.5 million
242 For-Sale Homes (third-party finance and develop)	\$6.5 million
590 Rental Units (self-finance and develop)	\$63.9 million
590 Rental Units (third-party finance and develop)	\$32.9 million
940 Units – 50% rental/50% for-sale (self-finance and develop)	\$64.2 million
940 Units – 50% rental/50% for-sale (third-party finance and develop)	\$35.0 million

Other Considerations

Increasing the density of development in Phase 2 will require a new Environmental Impact Report (EIR) that will study traffic impacts, water supply, and a variety of other factors required by the California Environmental Quality Act (CEQA). This process has an uncertain timeframe with an

unknown set of mitigation measures that may be required. Because the Phase 2 infrastructure was designed to accommodate 242 units, certain modifications to the infrastructure may be required to accommodate a greater number of units.

The utility systems for University Glen Phase 2 have been installed with the road infrastructure, and are stubbed out in accordance with the original development plan. Increasing the number of units may have an impact on the infrastructure systems, depending on the extent of the increase and the overall layout of the new development. Assuming all expanded development retains the existing road layout, it should be possible to retain the majority of the existing infrastructure backbone.

Specific infrastructure modifications and their respective preliminary cost estimates include:

Utility Stubs \$500,000

The utility stubs have been installed to serve the planned 242 single units. Changing the development to apartments will necessitate changes in size and location of the utility stubs. This will require new points of connection to the existing mains, including cutting and patching of the existing streets

Domestic/Fire Water \$2,000,000

Multi-family housing needs significantly higher fire flows than single family. This means that it is likely that the existing distribution will require some upgrading/upsizing, and the hydrants replaced for higher flows. The primary supply to the site should be adequate, but the piping within the cross streets will need replacement or supplementation.

Sanitary Sewer \$3,500,000

The main sewer line serving the planned development is limited in capacity, and increasing capacity is not economically possible given capacity constraints downstream. The most economical method to address the capacity limitations would be to provide a sump and force main, which would allow for moderate time shifting to reduce peak flows to within the downstream capacity. A more expensive alternative would be to provide on-site sewer treatment.

The service stubs may need replacing, although it may be possible to use the existing points of connection even with multi-family development.

Telecom and Electrical \$500,000

The existing systems should be useable with little modification.

JLL has included the cost of these infrastructure modifications in its valuation analysis and has assumed it would be performed by the entity selected for the Phase 2 residential development.

Finance and Delivery Methods

JLL evaluated two possible development approaches through which the SA could develop Phase 2:

- **Approach 1:** Self-finance and self-development by the SA using a private fee developer. Using this approach, the SA would be required to secure financing to fully fund the design and construction of the infrastructure improvements and the residential units. Upon lease stabilization, the SA would sell the development to an institutional investor pursuant to a long-term ground for up 81 years, the remaining term on the SA's ground lease with the university.

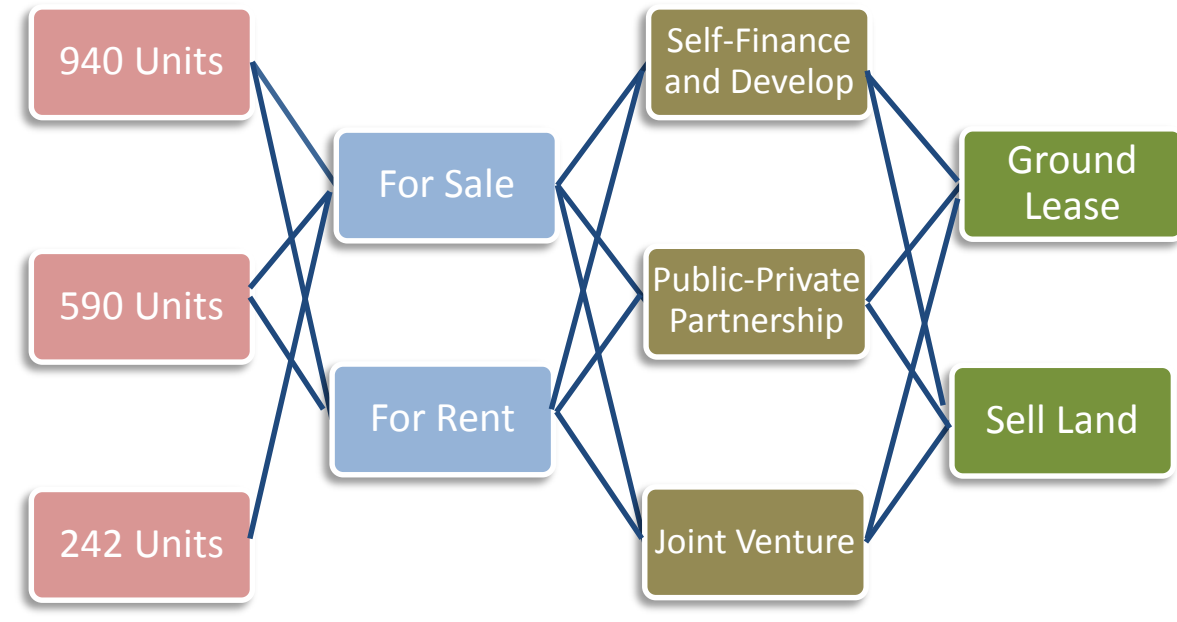
After discussions with the SA and University staff, it was decided not to pursue this option due to the inherent risks associated with self –development and the additional debt that would be added to the SA's balance sheet.

- **Approach 2:** Development by a third party developer, who would develop, lease and own the asset pursuant to an annual ground lease payment to the SA with annual escalations up to an 81-year term. Further legal research needs to be conducted to determine whether property tax increment may still be collected by the SA when improvements are implemented pursuant to a ground lease.

Advantages of Third-Party Development	Disadvantages of Third-Party Development
• This approach can transfer all risks to the private developer, protecting the balance sheet of the SA • The developer will provide professional property management and asset management functions including performing periodic capital repair and replacement • The developer will be responsible for paying the Mello-Roos assessments that reimburse the SA for the infrastructure bond debt service • The apartment buildings' ownership reverts back to the SA upon expiration of the ground lease	• This approach provides a lesser financial reward to the SA by only delivering annual ground lease payments to the SA • The SA will need to negotiate with the developer for tenant or other operating preferences or restrictions

JLL also evaluated a land sale as an alternative to a long-term ground lease as well as a joint venture structure with a development partner. CI determined that a land sale was not in its best interest to preserve the land as long-term asset of the university. Since a joint venture could expose the SA to certain finance and development risk, it was decided to eliminate this type of partnership structure. Figure 1 illustrates the range of options considered prior to arriving at the final recommended scenarios.

Figure 1 – University Glen Phase 2 Development Alternatives Studied



Recommendations - Phase 2 Development

Based on current and projected market conditions and economic factors, JLL concludes that developing 242 for-sale homes on the parcel is not only under-utilizing very valuable SA property but is also not fulfilling the needs of the campus in providing a housing supply that can accommodate a variety of the university's needs as it matures. Considering the strong demand for multi-family residences in Camarillo and the current low construction interest rates, JLL recommends that the highest-and-best use for the 31.5 acre site is to develop medium density multi-family rental units. Future risk from changes in economic and market conditions can be mitigated by developing the units in phases. Rental apartments will yield significantly greater near- and long-term revenues to the SA for capital expansion projects than for-sale low-density homes.

In consideration of the CI and SA objectives of reducing debt, maximizing revenue for campus expansion projects, improving the SA's balance sheet, and mitigating risk, JLL recommends that the SA select a highly qualified private developer with which to partner for the development and operation of approximately 590 rental units that will add to the vibrancy of the University Glen community, support the retail in the Town Center and provide many new housing options for CI. Traffic, water resources, infrastructure, site planning, community support, and market conditions are a few of the factors that will ultimately determine the optimum number of units that should be approved.

Additional SA Revenue-Producing Opportunities

JLL has identified two additional SA revenue-producing development opportunities:

1. Development and expansion of the University Glen Town Center's two surface parking lots
2. A small hotel and conference center for guests and parents, likely concurrent with, or upon completion of the Events Center

University Glen Town Center Redevelopment

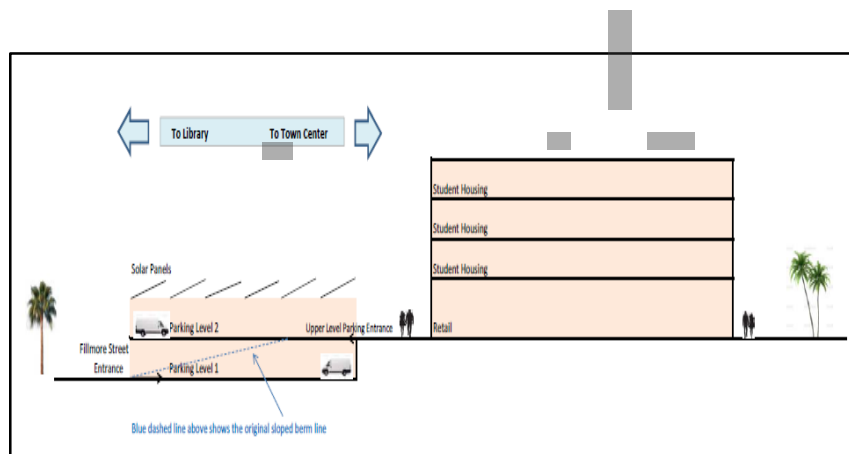
The University Glen Town Center at CI, located between the University Glen residential development and the campus, consists of three primary uses:

1. Administrative Offices
2. Retail Spaces
3. 58 Residential Units

The Town Center also provides a total of 234 surface parking spaces adjacent to each side to serve the Town Center and visitor uses.



Potential Future Development at the Town Center



JLL identified the north and south parking lots for the potential development of additional apartment product. Using a density of 65.4 units per acre, JLL determined that this area could support approximately 142 apartment units (270 beds) in three

levels above ground floor retail at an average unit size of 840 square feet. Considering the achievable rents for this newly constructed apartment product, approximately \$1.80 per square foot, the development of an above-grade parking structure to support the existing and new product would not yield significant land value to the SA. Therefore, using the dimensions of 370 feet x 140 feet for each of the parcels to the west of the current town center, JLL determined that 242 surface-grade parking spaces could be built to support the addition of the 142 apartment units as well as the existing 58 town center apartment homes. Finally, JLL estimated that an additional 30,000 square feet of retail space could be added to this development to provide additional dining, shopping and entertainment options for students, faculty, staff and visitors. JLL estimates the total estimated value to the SA of developing the Town Center parking lots at \$7.6 million comprised of the leasehold sales value and the net present value of future ground lease revenues. Detailed

analysis supporting JLL’s recommendations is included in Appendix F -- Broker Opinion of Value: Mixed-Use Parking Lot Development and Appendix G -- Preliminary Retail Market Analysis.

Potential Hotel Site

As the CI student enrollment grows and the campus is expanded with CI 2025 projects, demand for a small on-campus hotel could justify its development, particularly upon completion of the Events Center. The hotel could be a lifestyle-type of hotel of approximately 100 rooms with a limited- or full- service restaurant. While representatives of the local Ventura County hotel industry stated that the hotel market was very strong in the region, a market demand and economic feasibility study should be conducted prior to undertaking this project. Absent a market and economic feasibility study, it is not possible at this time to estimate potential revenues from ground rent and hotel, property, and sales tax.



Potential future hotel site (within the boundaries of the East

A future hotel should preferably be located near the campus entrance for ease of accessibility by guests and proximity to the proposed Events Center. Food services can be shared with the restaurants at the nearby Town Center or included in the hotel if a full-service concept is feasible.

XI. Wellness/Recreation Center and Events Center

Wellness/Recreation Center

CI's existing student athletics, fitness, wellness, and health education facilities are woefully inadequate for the current and projected student enrollment. The Office of the President has made the planning and financing of a new comprehensive athletics and wellness facility one of CI's top near-term priority projects. Prospective university students frequently respond in surveys that the quality of campus fitness and athletics facilities is one of the top considerations when making their high education choice.

To properly plan this important aspect of the CI 2025 plan, the JLL team interviewed key campus stakeholders that provided input on the university's facilities needs for athletic programs, future health-related academic curriculums, student life and wellness, and special events. Research also included reviews of similar facilities located on other CSU and non-CSU campuses, with specific consideration of the recently designed and approved CSU San Marcos field house. It is contemplated that the new facility could also provide a venue for community-based events, and high school sports competitions when it is not serving university needs.

The CSU Channel Islands Foundation ("CI Foundation"), a non-profit organization established for the purpose of encouraging and accepting private gifts on behalf of CI, has expressed interest in coordinating a fundraising effort for the design and construction of a CI Student Wellness/Recreation Center (WRC). To align the development costs of a new WRC with reasonably expected fundraising capacity, the JLL team programmed and designed a WRC that can be developed in phases as new funding is secured.



The CI 2025 plan identifies an approximate 8-acre site located west of Ventura Street at the northern edge of the West Campus that is currently occupied by surface

parking lots, and Eldorado and Modoc Halls. This site was partially selected because of its proximity to the campus entrance for ease of access by campus visitors and its adjacency to the large North Campus surface parking lot. The JLL team, that includes SCB architects, Sports Plan Studio, and AECOM, collaborated with CI staff in site planning and building programming exercises that produced a phased RWC with the option of adding a larger Events Pavilion on the site concurrently

or at a future date. Site plans, space programs, cost estimates, phasing diagrams and renderings for the RWC and Events Center are provided in Appendix H.

Site improvements will be required to accommodate the new development including utility relocation and undergrounding, demolition, grading, and other systems improvements. Site work for all of the phases is estimated to cost \$1.625 million while the utility relocation may cost an additional \$3 million.

Wellness/Recreation Center - Phase 1A

Located on the northeast corner of the site, the first phase (1A) of the WRC totals nearly 28,000 square feet in building area in two stories. Shown in these images, Phase 1A is programmed to contain an approximate 15,000-square foot gymnasium with small equipment storage, locker rooms, restrooms, athletic training/classrooms and laundry areas as well as a lobby and vending area. Phase 1A is estimated to cost \$14.5 million plus an additional \$3 million to relocate existing utilities and perform other supporting infrastructure improvements.



This initial WRC phase will provide sufficient functional gymnasium space for competitive and intramural court sports, athletic training programs, assembly space for large campus events, summer conferences and symposiums, guest speakers, and fundraising banquets. It will also provide classrooms for future kinesiology, nutritional and other wellness academic programs. It is expected that the \$14.5 million in development costs may be raised by the CI Foundation while the \$3 million in infrastructure improvements could be funded by other revenue sources identified in this report. The



timing of project implementation will be dependent upon securing the necessary funds for its design, construction, and operation. Potential funding may include revenues from fundraising efforts of the CI Foundation, student athletic facilities fees, and SA revenues.



Wellness/Recreation Center - Phase 1B

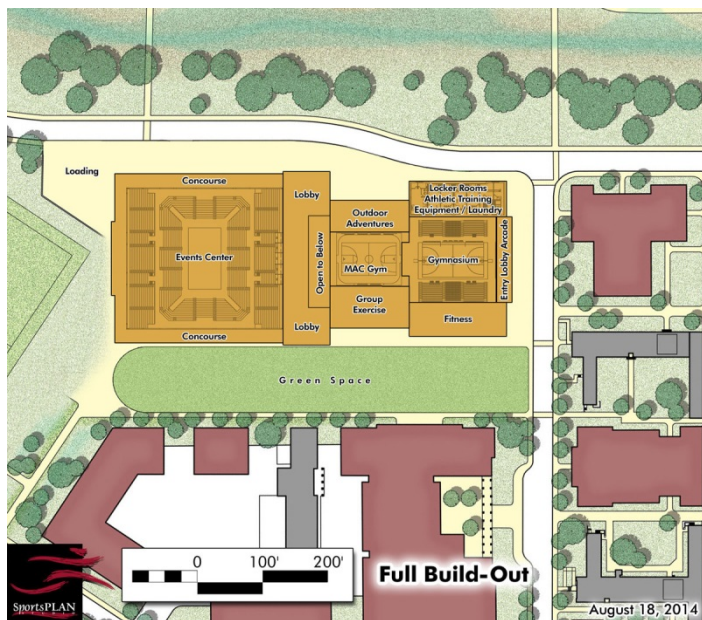
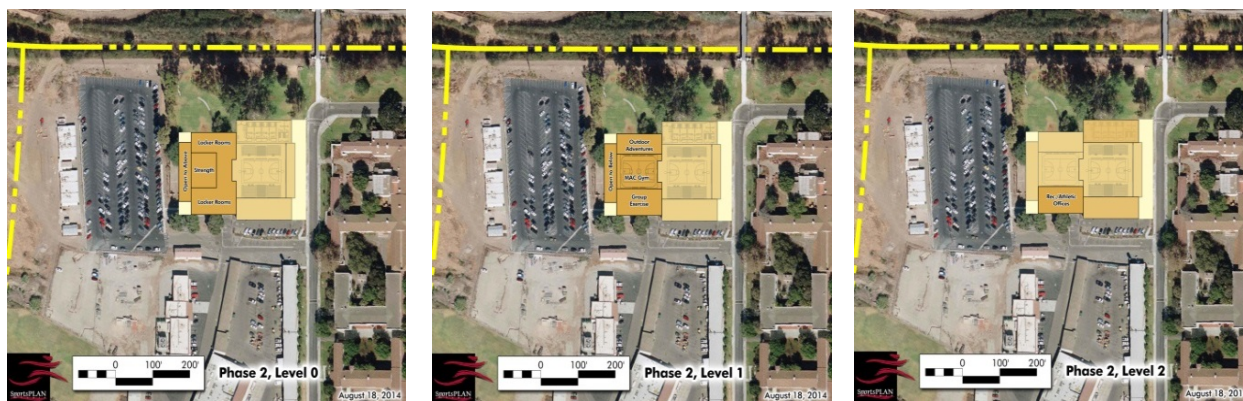
The subsequent phase of the WRC, labeled 1B, is contemplated to expand the previous phase on its south side with 22,000 square feet of additional two-story building area. This phase is expected to include an approximately 12,700 square foot fitness center with cardiovascular equipment, as well as yoga and group training rooms. The phase would also provide sports medicine space and additional equipment storage, locker rooms, and laundry. Phase 1B is estimated to cost \$5.5 million, including fitness equipment.



The timing for the implementation of Phase 1B will be dependent upon the availability of revenues to fund its design, construction and operation. Potential funding sources include charitable funds raised by the CI Foundation, revenues from the SA, State Revenue Bonds, and student athletic facilities fees, among others.

Wellness/Recreation Center - Phase 2

As a continuation of the near-term project, the next phase of the WRC provides students and student-athletes with 8,100 square feet of additional court space for CCAA or GSAC basketball, volleyball and other indoor sports, a state-of-the-art 12,000 square foot strength training facility in a two-story expansion that also includes additional locker rooms, group exercise, office space for athletic department staff and faculty, 1,000 square feet of educational space for nutritional and kinesiology programs as well as a computer lab, and an outdoor training deck. The expansion totals 54,800 square feet with an estimated development cost of \$21.5 million. Similar to Phase 1B, its implementation timing is dependent upon funding availability, which may include CI Foundation fundraising efforts, SA revenues, State Revenue Bonds, and student athletic facilities fees.



Events Center

As CI's student enrollment, and athletics and academic programs grow, it is contemplated that a larger indoor court and multi-purpose facility will be required. The final phase of the WRC project is a proposed to add approximately 117,000 square feet of additional multi-functional space to the WRC including a roughly 5,000-seat athletics and event venue providing NCAA regulation-size courts for inter-collegiate competition.

The event floor is a proposed 9,100 square foot area with back-of-house space for dressing rooms, audio-visual equipment, loading docks, and other programmed space necessary to also

accommodate musical and other performances, speakers, conventions and exhibitions, festivals, and other community events during times when the space is not required for CI-related activities. The upper level of the complex includes nearly 5,000 square feet of club lounge and private suite space, amenities necessary to market a venue of this size to the media, athletic conferences, and talent promoters. Space is also programmed for facilities management, food and beverage concessions, press and broadcast services, and an entrance/lobby. The total development cost of the event pavilion is estimated at nearly \$68 million including site work and utility connections.

JLL team member AECOM Economics and their Sports Facilities professionals conducted a preliminary market study for an event and athletics venue of this size in the Ventura County market area to determine potential demand by both affiliated and unaffiliated university uses.

The study included interviews with numerous focus groups including on-campus stakeholders as well as sports camp organizers, concert/event promoters, tourism and visitors organizations, economic development entities, and facilities managers of comparable venues. The study found that there are no indoor venues of this size in Ventura County or the counties to the north. The largest facilities are approximately 1,800 seats and are dedicated and designed strictly for either the performing arts (Thousand Oaks) or college athletics (Ventura). The study also determined there are no concert venues or meeting spaces in Ventura County larger than 7,800 square feet. Therefore, while the CI student enrollment continues to expand to its maximum potential, external market demand may be sufficient today to support the development of the Events Center and provide a facility in which CI can grow as its athletic and academic programs mature.



The study, included as Appendix I, researched numerous other comparable facilities including the Convocation Center at the University of South Carolina and the First United Bank Center at West



Texas A&M University. The study provided comparable total cost data and on a per-seat basis as well as typical source of funds for development and operations. Some of the more commonly used funding sources for design and construction include naming rights, tax increment or other public

revenues, public-private partnerships, facilities fees bonds, advertising and sponsorship, and

conventional equity and debt. The operating performance of comparable facilities varies from positive net cash flow to universities to a negative cash flow requiring operating subsidies. JLL believes this athletics and event pavilion would be an excellent candidate CI 2025 project for pursuing a financial collaboration with local governments, the tourism and lodging industry and private developers/event venue operators. Timing of the implementation of the Events Center will be dependent upon securing a variety of funding sources and partnerships.

XII. Parking

Background

The CI campus has current parking capacity for approximately 2,627 vehicles, all of which is provided through surface lots unevenly disbursed throughout the campus. Table 10 provides detail of the on-campus parking inventory. Because of its isolated location, the on-campus parking must fulfill the needs of the student population (5,200 FTES in fall 2014), approximately 800 faculty and staff, as well as the university's daily visitors.

Based on past experience and survey results, student parking demand rates have averaged about 66% for students living on campus and nearly 80% for commuting students. The CI 2025 establishes a goal of reducing parking use rates to 35% of all FTES. However, based on interviews conducted with Ventura County regional planning and transportation agencies, there are no near- or long-term plans to extend any type of public transit (public bus, light rail, hard rail) to the CI campus. Unlike many other metropolitan areas of California, Ventura County voters have repeatedly voted against proposed sales tax increases dedicated to funding public transit infrastructure, traffic congestion relief, or freeway carpool lanes. Correspondingly, only 1.3% of Ventura County residents use public transit for their commutes. The Amtrak and Metrolink rail service is the only current form of regional public transit with stations located in the cities of Moorpark, Camarillo, Oxnard, and Ventura. Some of the cities in Ventura County provide limited fixed route or Dial-A-Ride services but only within their own city boundaries. CI has funded shuttle service between the Camarillo and Oxnard Amtrak stations and the campus at an annual cost of \$400,000 with 30- and 60-minute headways, respectively. During a one-week ridership survey conducted in March 2014 and commissioned by the Ventura County Transit Authority (VCTA), the Camarillo station reported an average daily ridership of approximately 200 and the Oxnard station experienced a lesser 116 average daily riders in each direction.

If CI is going to reduce its demand for on-campus parking, it will need to implement a comprehensive program aimed at concurrently discouraging single occupant vehicle use and incentivizing alternative modes of transportation. CI 2025 estimates that if the parking demand reduction goal is achieved, that 5,250 parking stalls will be required upon full build-out. If the current vehicle usage rate continues, an additional 4,200 stalls will be needed. Providing excessive parking not only consumes capital improvement funding that could be dedicated to academic or student support facilities but also uses limited university land that could be satisfying a greater academic or revenue-generating purpose. Reducing average daily vehicle trips also assists CI in its efforts in environmental sustainability and reducing greenhouse gas emissions.

CI currently provides ride-share vehicles on campus such as Zipcar® that can be rented by the minute or hour by students and staff for short-duration trips. Bicycle racks are also provided at

various locations throughout campus. In the absence of any new public transit service to campus, CI may consider additional incentives and deterrents such as attracting ride-share services to campus such as UberX and Lyft, providing financial or non-financial incentives to students and staff that carpool or use public transit, and increasing the cost of on-campus parking. If parking structures are required in the future, student and non-represented staff parking fees will need to increase to fund the construction cost.

Current Parking Inventory

The existing parking spaces available are more than adequate for the current FTES, but are concentrated at the very north end of the campus, thus making frequent shuttle services very important. The large northern surface parking area can accommodate in excess of 3,000 spaces, but requires the shuttling of students and faculty in a manner that minimizes long wait times to arrive at various points on campus.

Table 10: CI On-campus Parking Inventory

Parking Lot No.	Parking Stalls	Square Feet of Land	Land Acres	Location Description
A1	48	22,351	0.51	Long narrow surface lot West of Sage Hall and East of Placer Hall
A2	129	56,858	1.31	North of the Library and East of Sage Hall
A3	535	250,000	5.74	By University Entrance. All surface parking currently
A4	102	46,440	1.07	East of Eldorado Hall
A5	68	33,515	0.77	East of Arroyo Hall & West of Bell Tower West
A6	32	13,429	0.31	East of Camarillo Street & South of Sage Hall
A7	61	29,646	0.68	East of Camarillo Street & South of Malibu Hall
A8	59	20,652	0.47	East of Broome Library and West of Town Center
A9	33	14,850	0.34	South of Broome Library & North of Malibu Hall
A10	344	111,081	2.55	East and South of Lindero Hall
A 11	289	88,503	2.03	West of Eldorado Hall
SH 1	205	69,679	1.60	South of Anacapa Student Housing
SH 2	364	117,537	2.70	South of Santa Cruz Student Housing and West of A 10 Parking Lot
D 1	17	10,119	0.23	North of Bell Tower and East of Ojai Hall
RA	45	17,650	0.41	South of Placer Hall and North of University Hall
Town Center North	101	45,450	1.04	North lot plus hillside slope south of Town Center to accommodate new retail center plus structured parking
Town Center South	195	87,750	2.01	South lot plus hillside slope south of Town Center to accommodate new retail center plus structured parking
Total	2,627	1,035,510	23.77	



The aerial to the left identifies the locations of current campus parking. The least expensive location for additional parking is an expansion of Lot A3, located on the campus' northern edge at the campus entrance. Expansion costs of this surface lot are estimated at \$3,000 per stall. This cost is less than that of a typical stall elsewhere since the site is already graded, and includes no landscaping or lighting. While the most economical option, it concentrates a majority of the parking in one location.

This option will require the daily operation of a very efficient shuttle system.

Future Parking Opportunities

As future academic and student housing requirements require the redevelopment of areas currently used for parking, the lost spaces may eventually need to be accommodated through parking structures, as an approach to more evenly disburse parking throughout the campus. Ideally, a future parking structure would be located near the south end of the campus in order to provide more evenly dispersed parking throughout the campus, improving efficiency and access. Providing future parking along the outer loop road will divert vehicle circulation away from the campus core.

Regular-shaped sites of at least 25,000 square feet in size can usually yield an efficiently designed parking structure. An efficiently designed structure produces stalls averaging 350-375 square feet in size, including circulation, ramps, mechanical equipment, vertical circulation, and storage. CI 2025 contemplates a five-level parking structure be constructed on a 29,600 square foot site southwest of Peanut Hill (labeled as Lot A7 on the aerial above). JLL has identified three additional potential parking structure opportunities at the south end of campus:

1. On the landscaped berm that separates the Broome Library from the Town Center. Depending on the design, this area could accommodate up to 400 cars

Potential location for Events Center Structured Parking



in a two-level structure. JLL has recommended that the existing Town Center surface parking lots be redeveloped with retail and housing. A new parking structure on the berm could provide the replacement and new parking required to serve the Town Center.

2. Adjacent to the existing Lot A2 on Camarillo Street, east of Lindero Hall. A two-level parking structure along the hillside could accommodate up to 600 vehicles which could serve future student housing projects and commuting students. The development costs of this structure may be high due to required site excavation and retaining walls.



3. Adjacent and to the west of the proposed Wellness/Recreation and Events Center. A two-level structure on this site could accommodate up to 1,000 vehicles. This structure could serve staff and visitors of the WRC and Events Center as well as commuting students.



*Potential location for Events Center
Structured Parking*

The costs associated with developing parking structures (\$18,000 to \$20,000 per space) are relatively greater than those associated with installing surface parking (\$6,000 to \$7,000 per space). Current student parking fees average approximately \$185 per semester. CSU policy dictates that the cost to construct new parking facilities be paid solely by user fees and the fees to use any on-campus facility be equivalent. Therefore, the costs of producing new parking structures would be factored into the parking fee paid by all students, not allocated solely to those students parking in the structures. Union represented faculty and staff would only pay fees in the amount negotiated in future labor agreements. Alternatively, future parking requirements could be accommodated at the north parking lot using a shuttle system.

Alternative Parking Approaches

Vehicle Lift & Stacking Systems

As an option to meet the parking needs of a rapidly growing student, faculty, and staff population while striving to optimize land resources, JLL explored the use of stackable parking solutions. The benefit of such systems is to increase parking capacity of existing and future surface parking lots, reducing the need to construct more costly parking structures. Intensifying parking on surface lots provides the additional benefit of liberating certain parking lots for new revenue-generating development opportunities (i.e. hotel/conference center, residential, retail, entertainment, etc.).

Based on discussions with firms that specialize in parking optimization solutions, the average cost for the most common stackable parking configuration (a 2-vehicle unit), is \$8,000/unit.¹⁵ Units are configurable and are made to be bolted together to form rows of hydraulic lifts. Costs escalate greatly when migrating to 3-vehicle stacks (\$25,000/unit) and more complex parking configurations (automated, robotic, etc.) that exceed CI's needs at this time. In addition to equipment acquisition and installation cost, ongoing operating expenses would include the costs of a parking attendant (the cost is dependent upon the hours of operation). Additionally, the stackable parking units require a concrete pad due to weight requirements; asphalt surfaces will require retrofitting to support the load.

Considering the current cost of developing a surface parking stall of \$6,000-\$7,000 and the potential opportunity cost of not developing the site with an academic or revenue-generating use, the cost of the stacking equipment acquisition, installation, and operation may be financially competitive with expanding or adding surface parking lots. CI will need to consider the aesthetic appearance of the vehicle stacking systems or possibilities of discrete concealment.

JLL also explored the feasibility of incorporating stackable parking solutions into proposed structured parking. Installing vehicle stacking systems within new parking structures may provide the following benefits:

- The structure will conceal the stacking systems from view providing an aesthetically improved alternative to their installation in surface parking lots
- Potential to double the vehicle parking capacity of future parking structures, reducing the cost per stall
- Potential to significantly increase parking revenues from future athletic or other events
- May alleviate need for additional surface lots that may be better used for academic or revenue-generating purposes

¹⁵ Klaus Multiparking, Inc.

- Designing parking structures in advance to accommodate the future installation of stacking systems will eliminate greater costs of retrofitting in the future
- Two-vehicle stacking systems require an average floor-to-ceiling height of 10.5 feet (greater if SUV's are to be accommodated) compared to a standard height of 7 to 9 feet¹⁶

Vehicle stacking systems installed within future structures may have the following challenges:

- Greater front-end capital costs in higher floor-to-ceiling heights (more concrete) and acquisition and installation of stacking units
- Parking lot attendants required to operate units during peak operating hours
- Units perform more efficiently if used for longer-term vehicle parking (rather than brief visits); the units are inefficient for large capacity events that produce large volumes of vehicles arriving or leaving at same time

Solar Photovoltaic Surface Parking Canopy Feasibility

JLL also evaluated the feasibility of installing photovoltaic panels on canopies above the surface parked areas in an effort to further CI's environmental sustainability efforts and as a potential cost-saving measure. An inquiry was conducted with SunEdison, a prominent solar installation firm that has extensive experience with installing photovoltaic solutions at several CSU campuses including roof and rack-mounted systems as well as solar canopy installation at CSU Bakersfield, Pomona, Fresno, & Dominguez Hills. In total, SunEdison has installed nearly 11,000,000 kWh of solar energy at CSU campuses alone and is the top supplier of solar energy to the State of California (25 projects in operation totaling over 46MW (*Source: Robin Park - SunEdison*)). While SunEdison provided the research data for this element of the JLL study, a solicitation should be issued to ensure competitive proposals if CI decides to proceed with installation of photovoltaic canopies.

To conduct their analysis, SunEdison explored specific campus parking location that may be most appropriate for solar canopy construction. It was determined that parking lots with the following criteria would not be suitable for PV systems:

- Less than 20,000 square feet in size as system output would be less than 100kW, a capacity at which pricing becomes less economically feasible; and
- Lots that accommodate only a single row of parking – pricing would be infeasible since the canopies would require the same quantity of steel as a double row lot but would only achieve half the energy production.

The photovoltaic analysis identified five potential parking lots: A2, A3, A4, A11, and SH1 covering 447,720 square feet of total land area and 1,259 spaces (*refer to Appendix J for photovoltaic canopy*

¹⁶ Klaus Multiparking, Inc.

installations on CSU campuses, potential CI parking lot canopy installation sites, electricity generation estimates and rate comparison). Utilizing these lots, it is estimated an installed solar canopy system could yield 4,167,920 kWh (~2.6MW).

For comparison, the following illustrates CI's current electrical usage and cost for the July 2013 – June 2014 period:

- Average monthly electric usage: 742,552 kWh (8,910,627 kWh/year)
- Average monthly electric cost: \$82,775 (\$993,306/year)
- Electricity Cost per Unit: \$.1115/kWh

Based on these metrics, solar canopies could yield an energy coverage ratio of **47%** of total campus electrical usage.

System Installation and Cost

SunEdison offers 2 options for installation and payment of the system:

Power Purchase Agreement (PPA)

- SunEdison bears upfront the costs to install system, retains ownership of infrastructure and solar array
- The PPA is negotiated between SunEdison and CI for campus to buy power from SunEdison at a determined rate
- Any solar rebates/credits are retained by SunEdison but factored into the negotiated rate with CI
- Under this option, SunEdison estimates it can match the \$.1115 rate CI is currently paying
- SunEdison will be able to offer an energy inflation rate (2-3%) that is less than historic utility inflation rates (4.5-6%)
- Assuming a 47% energy coverage rate, a 2.5% solar inflation rate and a 5.25% utility inflation rate, the university could save **\$12,838** in year 2 on inflation costs; savings would increase annually thereafter
- Operations & Maintenance costs of the system are included in negotiated rate

Outright System Purchase

- CI contracts SunEdison to build-out solar canopies and CI retains ownership of infrastructure, panels and energy production
- SunEdison Cost Estimate: \$8-\$9M
 - Includes a nuts-to-bolts installation producing energy on Day 1

- o The variables affecting cost within this \$8-9M range would be the quantity of connected meters, distance from solar arrays and other site-specific conditions (soils/geotechnical, labor requirements, etc.)
- Assuming a 5.25% utility inflation rate and an \$8.5M installation cost, the payback time would be slightly more than 13 years
- The Operations & Maintenance agreement with purchase option would cost \$20,000 per MW/year (2.6MW x \$20k = \$52,000/year in cost)
- Southern California Edison Option R Rate Tariff - This rate option is for customers with solar generation. It reduces demand charges and increases peak energy charges significantly
 - o With solar, the system should produce more than CI uses during those peak hours (summertime weekday afternoons) and will receive valuable credits toward CI's overall bill with SCE
 - o Option R will only last until SCE has approved 250MW of projects to go into the rate tariff.

Solar Arrays on Structured Parking

As part of its analysis for the CI, JLL is also explored the feasibility of structured parking on campus to meet the growing student and campus population. Correspondingly, JLL explored the feasibility of incorporating solar canopies / arrays into any proposed above grade structured parking. The following details the findings on the feasibility of this option:

Top Deck of Parking Structure (uncovered)

- Canopies on top deck of a parking structure are usually more expensive than a surface parking lot due to logistics of delivering materials to the top level of the structure
- CI can prepare for a solar installation during the parking structure design process to assist in reducing costs (e.g. installing conduit in the light post bases down to the electrical room)

Top Deck of Parking Structure (covered by roof)

- A rooftop system is typically less expensive than a canopy system because it uses very little steel
- CI can prepare the roof for solar by ensuring it is designed and engineered to withstand the weight of the solar systems, incorporate conduit into parking structure, etc.

Exterior Walls of Structured Parking

JLL explored the feasibility of installing solar systems on the exterior walls of a parking structure to take advantage of the additional surface area of the structure.

- Design of parking structure would need to consider orientation to the sun; however,
- SunEdison reported that solar panels on exterior building walls is not very economical; the loss in production due to the orientation doesn't generally justify the expense to install the panels

Advantages, Disadvantages, and Considerations

Advantages

- Allows campus to realize energy self-sufficiency, lessening drain on regional energy systems
- Lower annual energy cost inflation for solar portion compared to energy from utility
- Firmer knowledge of future energy costs due to PPA agreement; not subject to wide variation in future inflation rates
- No upfront capital cost to university in PPA option
- Ancillary benefit of providing shade to automobiles and asphalt parking lot surfaces, thus providing a benefit to drivers as well as reducing heat island effect on campus
- Teaching tool as part of a larger campus-wide sustainability drive/curriculum
- University would be advancing its CI 2025 goal toward improving its environmental sustainability and reducing its carbon footprint

Disadvantages

- Additional cost premium to build canopy structures vs. simple rack systems for roofs or land – Spanish tile roof design does not allow for solar installation
- Are solar canopies compatible with the overall design aesthetic of the campus?
- Installation of solar canopies makes future use of these lots more difficult/expensive to dismantle for alternate development if needed in future
- As currently programmed, canopy system does not provide required energy for CI's total demand so net metering (revenues from selling energy back to utility) would not be realized
- Efficiency of panels may require upgrade at some point down the road due to degrading or more efficient market options
- Due to tax-exempt status, CI would not qualify for additional rebates (except from Option R Tariff) under the "Purchase" scenario; SunEdison retains any rebates/credits in the PPA scenario

Considerations

- Though 47% of current CI electrical usage would be covered, as campus development increases to meet student enrollment demand, this coverage ratio would decrease unless additional solar arrays are brought online

- Based on JLL's overall analysis, parking lot availability will be a moving target as some may be replaced with higher-use development, thus changing the amount of energy this proposal would provide
 - As some surface lots may be candidates for redevelopment and structured parking can be somewhat less feasible / more costly for canopy installation

Recommendation

If CI decides to proceed with photovoltaic installation on campus, the PPA option provides a potentially beneficial approach as it requires neither upfront funds for installation nor an obligation for ongoing maintenance of the system. While the savings benefit to the campus is derived primarily from the lower annual energy inflation rate available (2-3% vs. 4.5-6%) and the initial Year 2 savings is estimated at only \$12,838, it may mitigate future energy cost inflation and would advance the CI 2025 goal of furthering environmental sustainability. As noted above, however, careful consideration would need to be given to the redevelopment of parking lots for academic or revenue-generating purposes.

XIII. Potential Auxiliary Revenue Strategies

Conferences, Summer Camps, Events, and Advertising

The CI campus' idyllic setting, expansive open space, safe surrounding environment, and facilities (both existing and planned) provide CI the opportunity to promote and rent the use of its facilities when not in use for academic or student life purposes. Many universities in the U.S., including most in the CSU system, actively market, plan meetings and conferences, provide catering services, and offer housing for summer youth camps, corporate and non-profit events, speakers series, sports tournaments and practice camps, weddings and banquets, and a variety of other revenue-generating uses.

During the past few years, CI has earned revenues from such events without an active marketing effort, receiving more than \$700,000 in gross revenues during the 2013-14 academic year. An event planner / marketing professional has recently been hired by CI to focus a more conscious effort on this revenue strategy that has significant growth potential.

JLL researched event marketing and planning conducted by other California and U.S. universities to assess the revenue potential and types of events that may be hosted by CI. The research concluded that some of the event revenue streams are derived from partnerships formed with local industries and by actively promoting conference and event services to K-12 schools, alumni, local governments, and the lodging industry.¹⁷ Offering campus facilities to the local community as a revenue source also builds stronger relationships and enhances the value of the university to the region.

Given the CI campus' proximity to Hollywood, the university has engaged a consultant that assists with coordinating inquiries from the entertainment industry for use of the campus television, music video, and film production. CI should consider taking a more proactive role in marketing the campus for these purposes, particularly during summer months. Mount St. Mary's College, with campuses located in the Brentwood and North University Park communities of Los Angeles, retained an agency to book the use of its campuses for such filming, with approval required by the university. The college has been featured on numerous television series including *Gilmore Girls* and *the OC*, as well as movies such as *Princess Diaries* and *Spanglish*.¹⁸

¹⁷ http://www.washingtonpost.com/business/capitalbusiness/area-universities-look-to-academic-programs-local-industry-for-new-revenue-streams/2011/09/07/gIQA51aqKK_story.html

¹⁸ *101 Smart Revenue Generators (and Money-Saving Ideas)*, University Business, December 2006.

The CI website currently provides a summary of facilities rates and service fees¹⁹ as well as content providing off-campus lodging and transportation information.²⁰ Many of the university websites surveyed more effectively market their facilities to community event organization by providing comprehensive event planning and facilities rental services information. Many of the universities researched have established departments to coordinate and manage the various groups that seek to use their facilities. For example, within the CSU system, Humboldt State, Bakersfield, and Chico State have conference and event services departments that market to potential groups and coordinate the facilities across their campuses. All three of these universities market their conference and event services at different levels. CI is currently in the process of a website redesign; increased content and interactive features should be incorporate to enhance its promotion of its facility rental, catering, and lodging services.

At Texas Christian University, activities held on campus during the summer range from high school dances to charity benefits, as well as sports camps, educational camps, music camps, and continuing education programs for teachers. While most are held in the three-year old Brown-Lupton University Union, organizations can also have use of sports fields and the recreation center, for example, or breakout rooms within the union, as needed. The only requirement is that the events must be educational or open to the community. Corporate retreats or private meetings are not permitted, although events such as high school graduations, for example, are welcome. TCU hosted a total of 11 high school graduations during the last two weeks in May, even before its busy season heated up. The net revenue generated from conference services' business is approximately \$500,000, before university overhead expenses are deducted.²¹

Other facilities-related revenue opportunities for CI to consider include leasing space on its buildings for cell phone receivers/transmitters and selling space on digital signage to advertisers. "Such signage could include a new CI freeway identity sign and ones placed in high-traffic areas on campus. Texas State University earns twenty percent of all advertising revenue generated from such signage through a partnership with The University Network (www.tun.com)."²² A different type of advertising to consider is the sale of naming rights for new (or old) buildings. "The Richard Stockton College of New Jersey held a raffle at varying price points to name different parts (basketball court, fitness center, entire building) of the new athletic center."²³

As the CI 2025 plan is implemented and new facilities are implemented such as the WRC, Performing Arts Center, University Glen Phase 2, future Town Center expansion, a hotel/conference

¹⁹ <http://www.csuci.edu/publicsafety/parking/parking-documents/facility-rates-2013.pdf>

²⁰ <http://www.csuci.edu/atod/lodging-and-directions.htm>

²¹ *Boosting the Bottom Line*, University Business, January 2012.

²² *101 Smart Revenue Generators (and Money-Saving Ideas)*.

²³ Ibid.

center, the Events Pavilion, and even the Student Health and Child Development Center, opportunities for joint-use and revenue auxiliary revenue generation should be considered.

Public-Public Partnerships

Certain projects in the CI 2025 plan may be opportunities for collaborative financing partnerships with local governments in Ventura County. In California, public-public partnerships can take several legal forms, the most common being Joint Powers Authorities (JPAs) or the recently legislated Enhanced Infrastructure Financing Districts (EIFDs). Each of these structures typically provides for each member public agency pledging a certain amount of percentage of future tax or fee revenues generated from specified properties or projects toward debt service on a bond issuance used to fund the costs of design, construction and/or operate a certain project that is believed to be of regional significance or of mutual benefit. JPAs only require a simple majority vote of the governing boards of the participating entities while EIFDs may also require a public vote if twelve or more registered voters reside within the proposed EIFD boundaries. The vote is not required to form the EIFD but rather to issue any debt secured by future revenues generated from the EIFD projects. The CI 2025 project most likely to garner the interest of other public and private entities is the Events Pavilion which could be a regional economic asset creating jobs, sales and hotel tax revenues, hotel room nights, and other induced impacts from its events and attendees.

JLL recommends that CI continue to build and maintain close working relationships with its public partners in the region, periodically briefing their representatives on expansion efforts and programs. As potential opportunities for collaboration are identified, CI should form exploratory working groups with its public partners to collaborate on potential joint financing mechanisms for those projects that provide mutual or regional benefit.

Partnerships with Business

CI has vast opportunities to partner with the local Los Angeles and Ventura County business communities in research, capital improvement and program funding, facilities rental, and workforce development activities.

As CI expands and grows its research capabilities, it will have prospects to market its institutional researchers' intellectual property. "Corporations are in the market for new products and technologies. One way to find them is through UTEK (www.utekcorp.com), a firm that helps schools set up patents for their discoveries and assists in finding public companies looking to purchase them. The company calls itself an intellectual property matchmaker. Institutions may receive royalties from their patents as well as cash from UTEK's acquisition company."²⁴

²⁴ 101 Smart Revenue Generators (and Money-Saving Ideas).

Universities have also earned significant revenue by spinning-off their successful research and consulting programs to private industry. "Ball State University's Digital Middletown Project is a wireless initiative designed to test the educational and social value of delivering high-bandwidth wireless technology to local elementary schools in Muncie, Ind., surrounding homes, and Ball State itself. The DMP generates \$500,000 to \$1 million in annual revenue through the Office of Wireless Research and Mapping, a business spun off from the wireless project. As a bonus, the Office of Wireless Research and Mapping provides an opportunity for Ball State students to get work experience to make them more marketable, and for faculty to do applied research in their areas of study."²⁵ By connecting with local businesses, health care providers, industry groups, CI can create new programs within academic departments that provide solutions to businesses, earn revenues for CI, and construct real-life learning for its students. "Catawba College (N.C.) conducts chemical analysis and research projects for area businesses and industries through its on-campus laboratory, CARL (Catawba Analytical Research Laboratory). Businesses pay a fee for students to conduct company research using state-of-the-art equipment and techniques. The students benefit also, earning money and getting exposure to work-world applications. Participating businesses can use an independent lab for objective analysis, have access to instrumentation and laboratory techniques without purchasing equipment, and have a pipeline for recruiting future employees."²⁶

Online Learning

CI currently offers several of its academic programs online through its Extended University and International Programs. Online and hybrid learning has been a profitable venture for many universities throughout the country. Many universities are now offering hybrid courses to increase revenue without risking a loss. One example, Bentley College (Mass.), invested in the Centra Symposium system and now has a site license with the company so that several classrooms can serve in-class as well as distance learners. Since students are enrolled in the classes on campus anyway, revenue from enrolling distance learners becomes new profit for the university. Bentley's approach has proven quite effective: \$25,000 per classroom is set aside to retrofit for hybrid courses; that investment and more has been earned from online enrollment.²⁷

Utilizing a different approach, "Boston University has successfully been licensing its continuing education programs to an independently developed 18-member affiliate network made up of academic institutions, consulting organizations, and computer IT training companies in the U.S. and abroad. The affiliates purchase BU's programs at an annual fee, the equivalent of \$40 to \$100 per student per day, depending on the program. The licensed programs are marketed as BU products. Boston University generates about \$1.2 million a year from this licensing."

²⁵ Ibid.

²⁶ *101 Smart Revenue Generators (and Money-Saving Ideas)*.

²⁷ Ibid.

“The Boston University Division of Extended Education serves nearly 3,000 enrolled students in undergraduate, graduate, and professional development programs. Its criminal justice master's degree is the most popular program of its kind in the world; enrollments grew from 45 to more than 400 in three years. The school's distance-learning programs are an important revenue source, grossing \$15 million per year, more than making up for enrollment fall-off in part-time, on-campus night and weekend courses.”²⁸

And finally, CI has the potential to expand its brand and value through licensing agreements with other online educators. “The UC Irvine Extension-the continuing education arm of University of California, Irvine's campus-recently collaborated with the nonprofit Getulio Vargas Foundation, a Brazilian school and that country's largest provider of online education. The resulting new program will allow UC Irvine to teach project management online in another country. The deal follows similar arrangements, including the contract with Laureate International Universities, a for-profit enterprise. Through the contract, international students enrolled in various LIU programs can spend summers at UC Irvine, while UC Irvine Extension students have access to LIU programs the world over.”²⁹

Rapid advancements and global access to technology and the internet have created vast new forums for universities to extend their reach beyond their state while boosting its revenues at moderate additional costs. CI's financial constraints that are slowing its pace of campus expansion can be partially overcome through growing its online and hybrid education programs through partnerships and technology.

²⁸ Ibid.

²⁹ Ibid.

XIV. Appendices

Appendices provided in separate document.