

# VALENCIA COLLEGE

## Student Housing Advisory Services

PRESENTATION OF FINDINGS  
BOT WORKSHOP  
November 20<sup>th</sup>, 2019



# Introduction – Brailsford & Dunlavey



 **BRAILSFORD & DUNLAVEY**  
Inspire. Empower. Advance.

*Our mission is to make our clients the strongest owners possible throughout the development process.*

440

Higher education clients

> 1,000

College + University Projects

\$35B

In completed higher education facilities

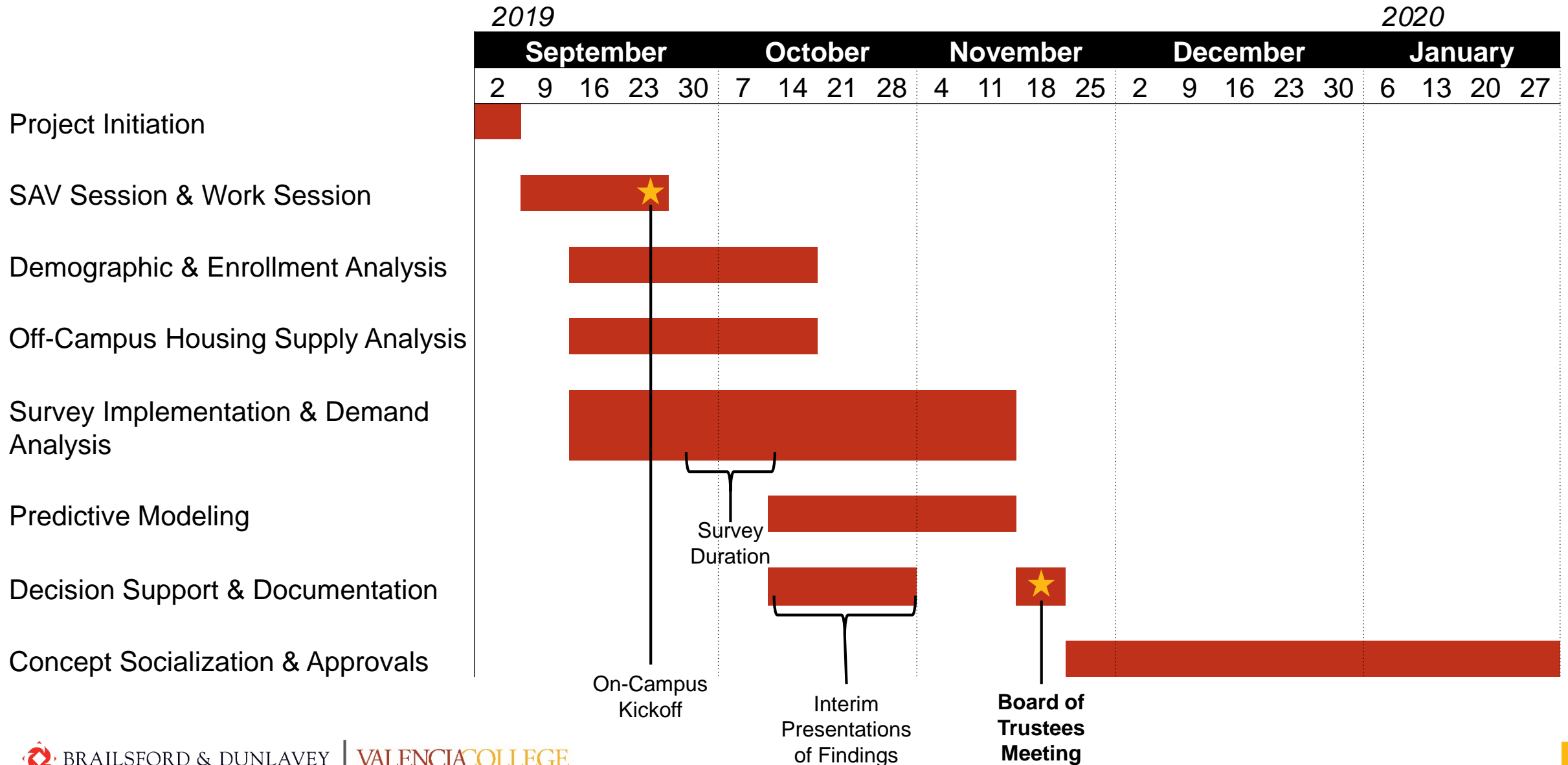
500+

Student housing projects

26

Years of experience in delivering campus life solutions

# Planning Process Overview



# Key Questions

- 1. What are Valencia's strategic housing objectives?*

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- 2. What housing demand exists at each campus and how flexible is demand across campuses?*

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- 3. How should Valencia's off-campus market and national best practice influence decisions about housing?*

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- 4. If demand exists, how and where should Valencia pursue on-campus housing?*

# Key Findings

- 1. Valencia seeks an asset to enhance the student experience and the campus environment while minimizing financial exposure to the College.*

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- 2. There is sufficient demand for housing at either West or East campuses, but not both and only under certain conditions.*

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- 3. Apartment-style units align with student preference and Valencia's strategic priorities.*

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- 4. On-campus housing would be most competitive with rents in the East Campus apartment market, but fills a larger gap in service on West Campus.*

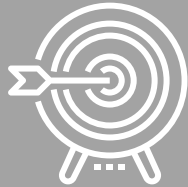
# Integrating Housing with Valencia's Strategic Priorities

## FIVE-YEAR IMPACT PLAN & STUDENT HOUSING PROSPECTUS

- › Support the long-term growth of international student enrollment
- › Create community and promote personal connection for new students
- › Promote a learning environment and enhance student experience
- › Prepare students for the university experience



# Strategic Framework



Target Market, Unit Typology, +  
Programmatic Requirements

- › On-campus housing should target non-local students, with particular emphasis on international students.
- › Housing should not rely on robust quality-of-life facilities; off-campus services & amenities should support on-campus residents.
- › Academic co-curricular engagement is the highest programming priority; on-campus housing should serve the campus through inclusive programming & multipurpose spaces.



Financial Accessibility + Quality  
Reconciliation

- › Housing should be competitive with the overall Orlando market.
- › Housing facilities should reflect existing campus quality standards and serve as long-term assets.



Financial Performance + Institutional Will

- › Housing must be feasible without significant financial support from Valencia and occupancy risk to the College should be mitigated.
- › Operation and management should align with existing expertise and may be contracted to external partners where efficiencies exist.
- › Housing is not seen as a source of revenue for the College, but must fund reinvestment in housing assets.
- › Alternative financing strategies should be pursued.



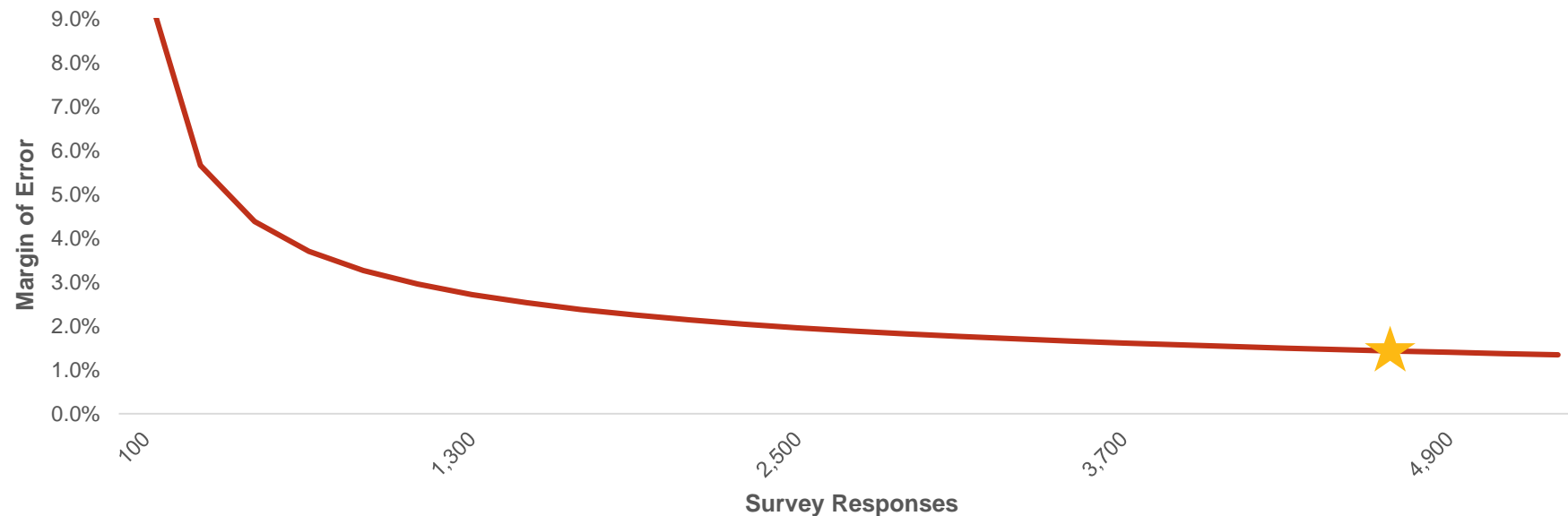
# Survey Response Demographics

PROCESS & METHODOLOGY



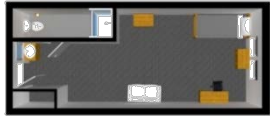



## 4,742 Complete Responses

The survey received statistically a significant response rate, yielding a 1.4% margin of error at 95% confidence interval:





# Rental Rates and Unit Types Tested

		Semi-Suite	Full Suite	2 BR / 1 BA Apt.	2 BR / 1 BA Apt.	4 BR / 2 BA Apt.
	<b>Bedroom Occupancy</b>	Single	Single	Single	Double	Single
<b>WEST CAMPUS</b>	<b>Monthly Rate</b>	\$700 - \$800	\$850 - \$950	\$1,125 - \$1,225	\$740 - \$840	\$975 - \$1,075
<b>EAST &amp; OSCEOLA CAMPUS</b>	<b>Monthly Rate</b>	\$780 - \$880	\$940 - \$1,040	\$1,225 - \$1,325	\$830 - \$930	\$1,100 - \$1,200
						
			<b>Full Suite</b>		<b>4 BR / 2BA Apt.</b>	<b>4 BR / 2BA Apt.</b>
	<b>Bedroom Occupancy</b>		Single		Double	Single
<b>EXISTING DOWNTOWN CAMPUS</b>	<b>Monthly Rate</b>		\$960		\$860	\$1,060

# Who is Valencia's Audience for Housing?

## PROCESS & METHODOLOGY

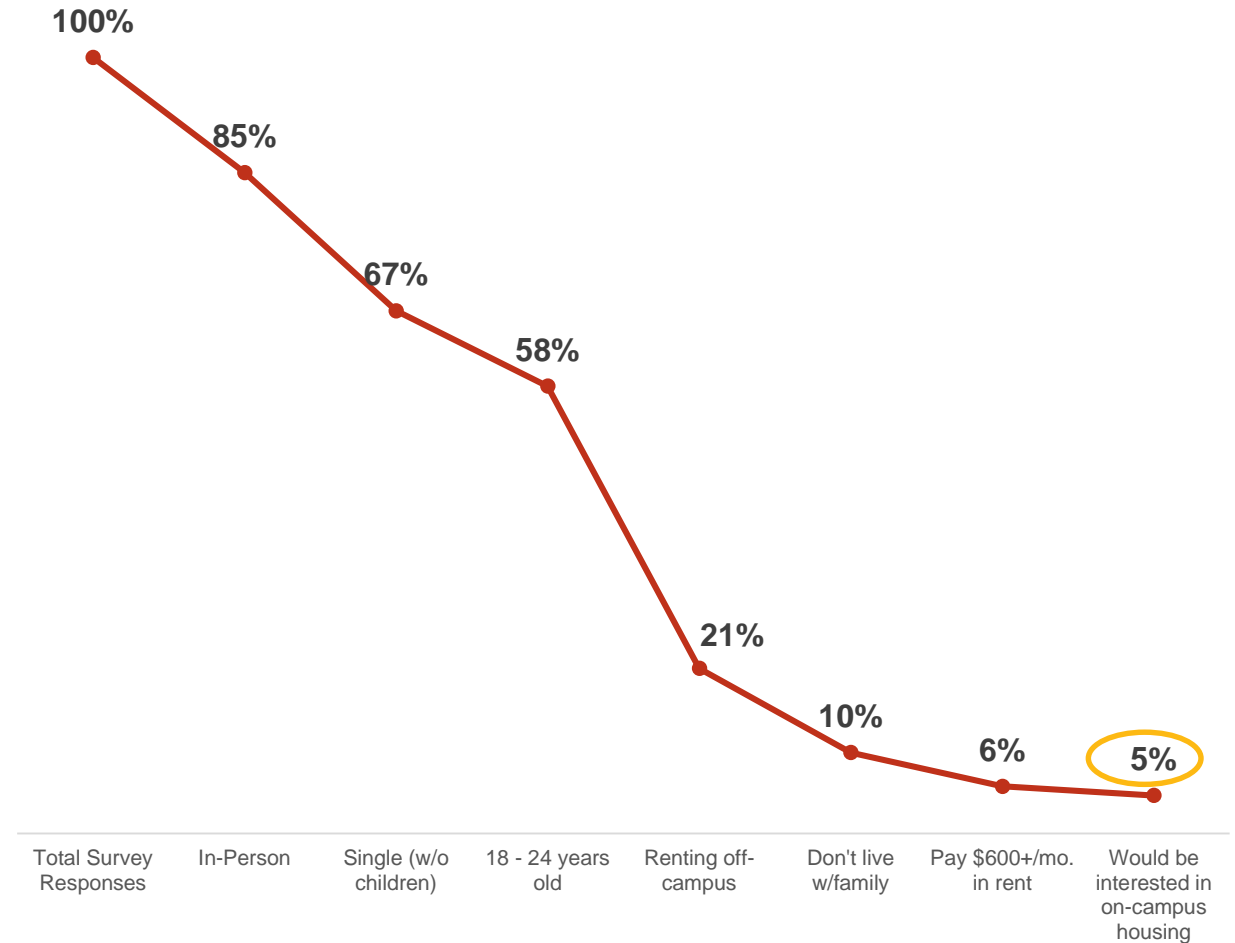
› Target Market Group – Students who are most inclined to pursue on-campus housing:

- In-person students (not online-only);
- Single (without children);
- 18 – 24 years old;
- Renting in the off-campus market;
- Do not live with their parents / relatives;
- Pay \$600+ / month in rent;
- Express interest in on-campus housing

› Occupancy Coverage Ratios

- Favor younger & international students

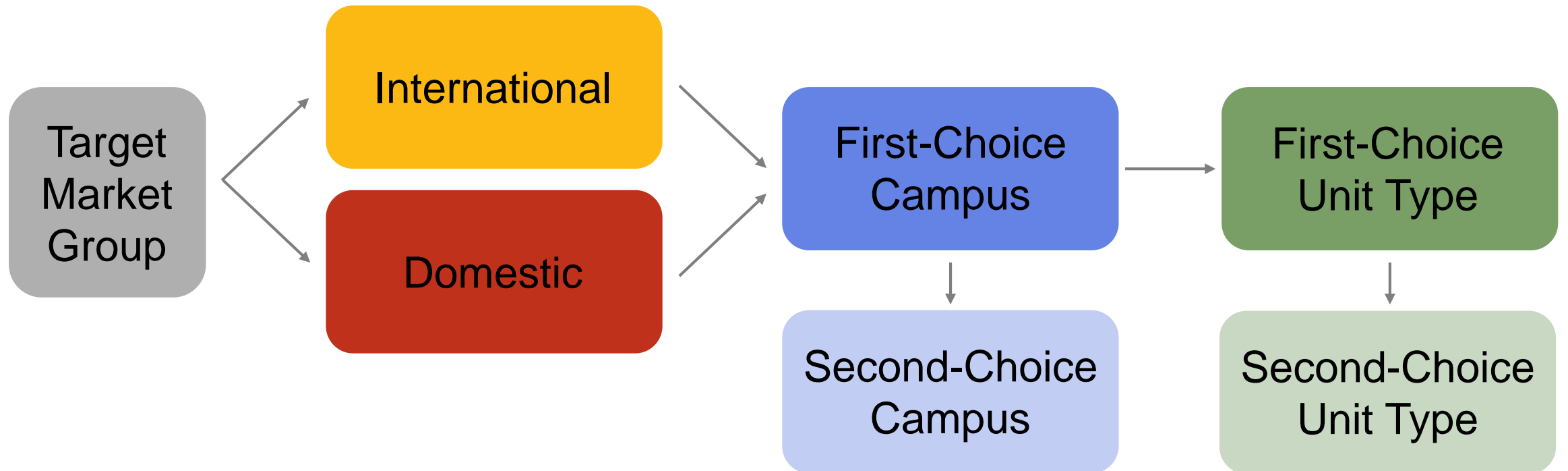
Identifying Valencia's Target Market Group



# Flexibility of Demand

## PROCESS & METHODOLOGY

- › B&D tested demand for key populations and flexibility across campuses and unit-types:



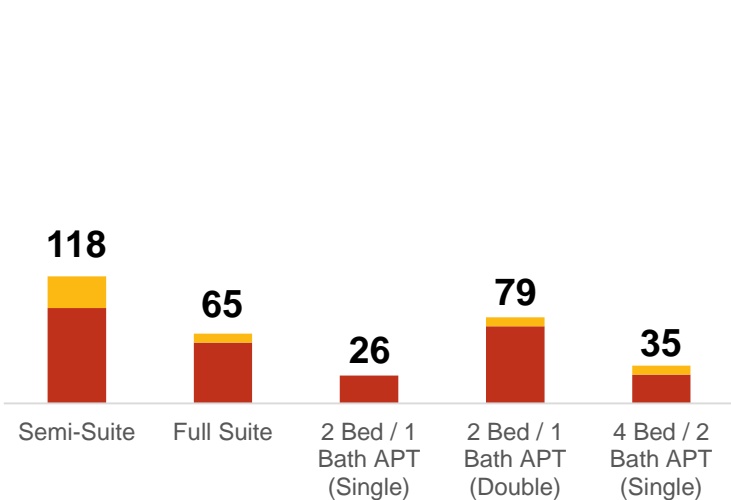


# Housing Demand by Campus

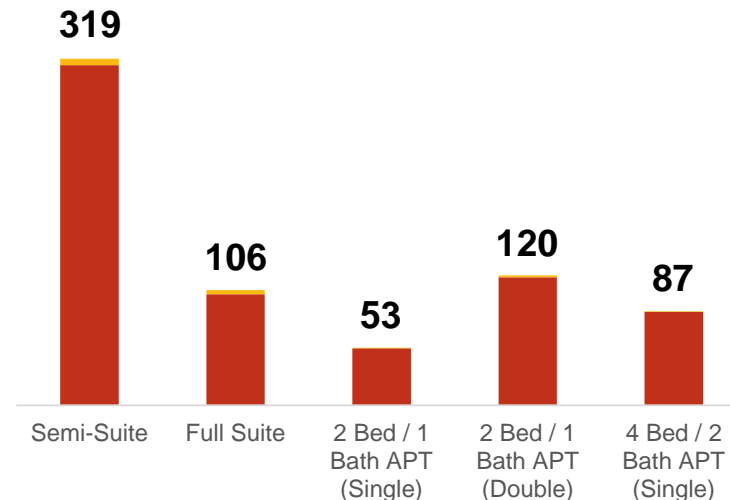
## SURVEY FINDINGS & DEMAND

- › Demand exists for a potential project at West & East Campus; Osceola Campus exhibits insufficient demand to move forward.

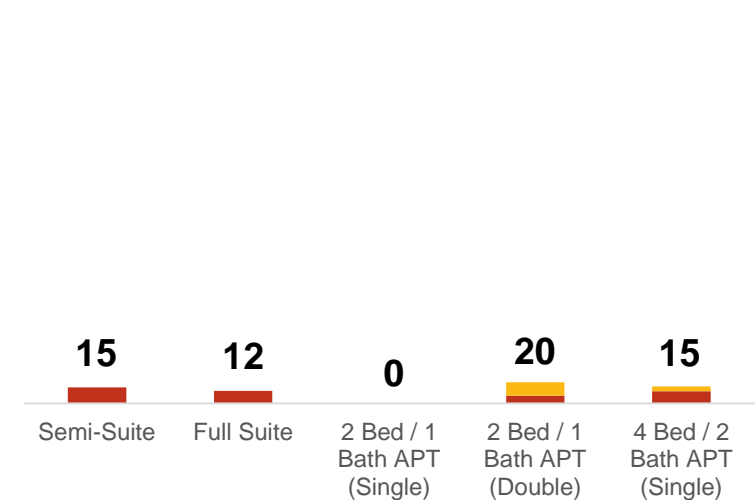
**West Campus Demand:  
323 beds**



**East Campus Demand:  
684 beds**



**Osceola Campus Demand:  
62 beds**



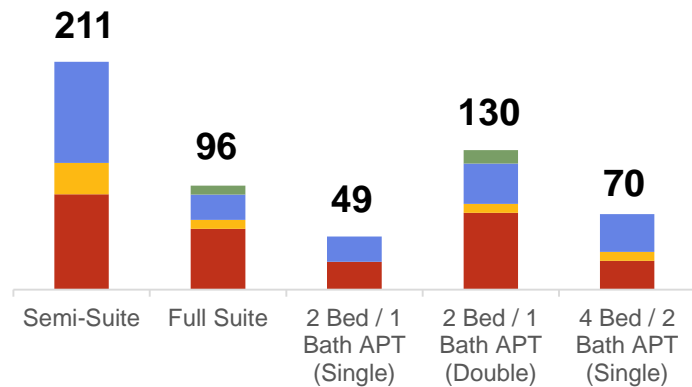
■ Domestic Demand Primary Choice ■ International Demand Primary Choice

# Demand Is Flexible Across Campuses

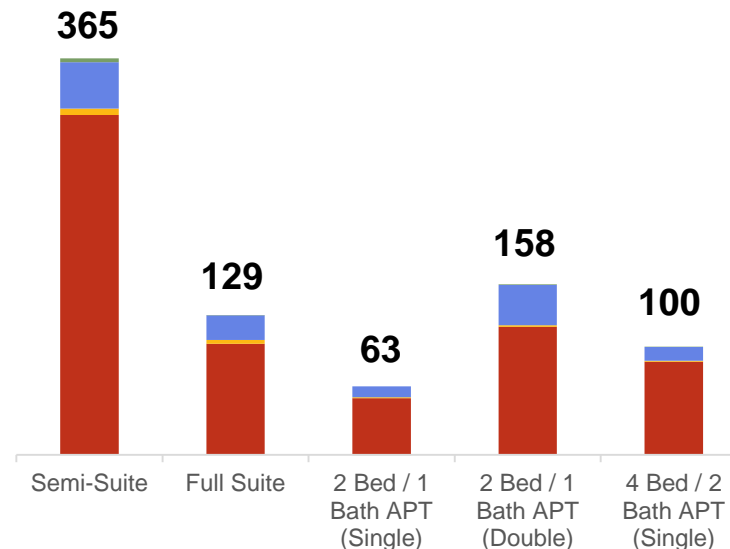
## SURVEY FINDINGS & DEMAND

- › Potential demand for on-campus housing at a specific campus expands when students are allowed to select a second choice.

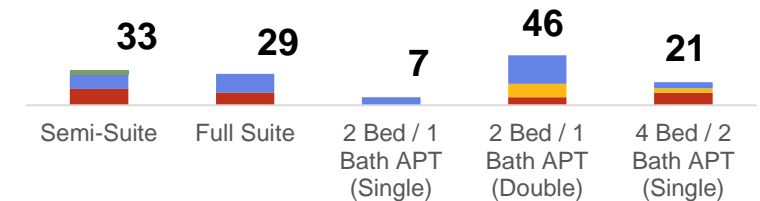
**West Campus Demand:**  
557 beds



**East Campus Demand:**  
813 beds



**Osceola Campus Demand:**  
136 beds



■ Domestic Demand Primary Choice   
 ■ International Demand Primary Choice   
 ■ Domestic Demand by Secondary Choice   
 ■ International Demand by Secondary Choice

# International Student Demand

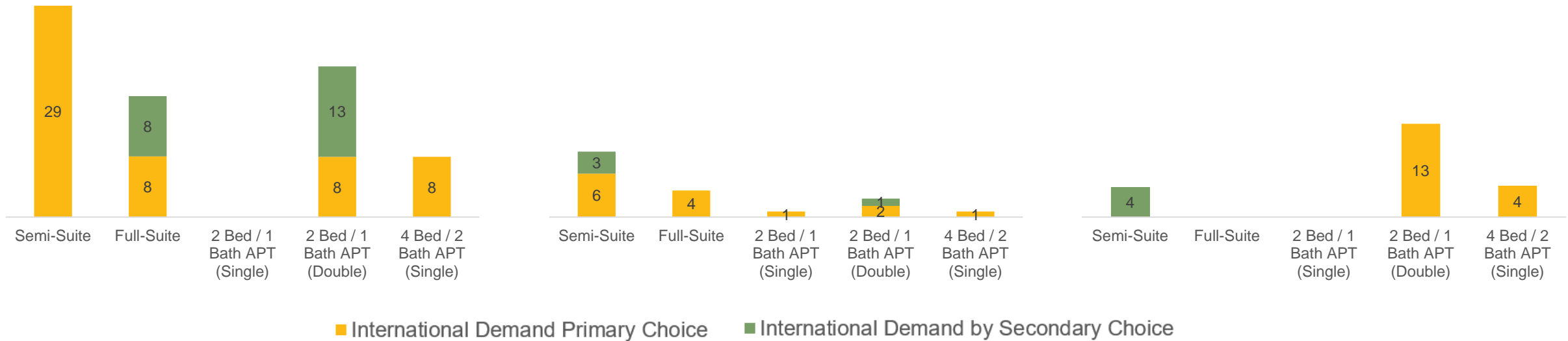
## SURVEY FINDINGS & DEMAND

- › Domestic students comprise the majority of demand; international student demand (approx. 113 total beds in 2019) would not support a project independently.

**West Campus Int'l Demand:  
75 Beds**

**East Campus Int'l Demand:  
17 Beds**

**Osceola Campus Int'l Demand:  
21 Beds**



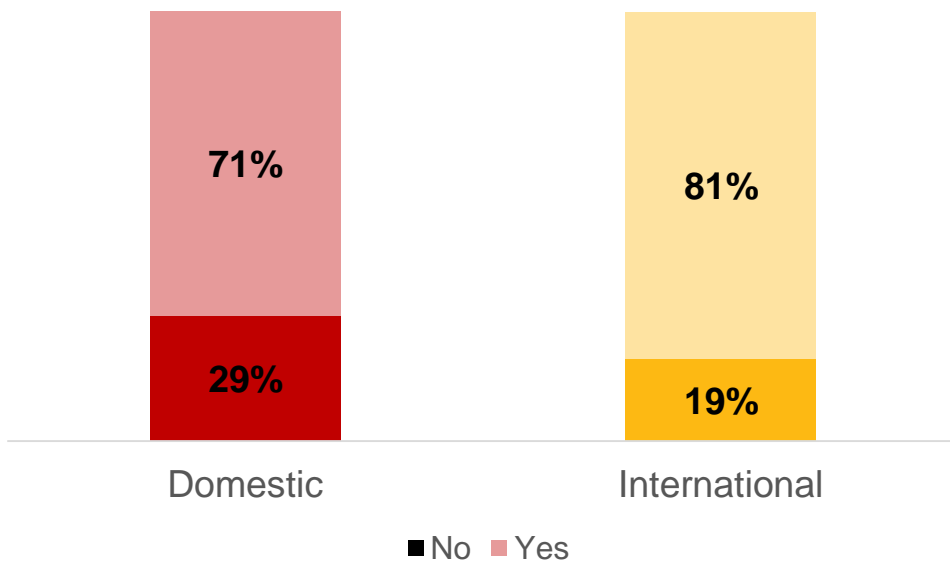


# International Student Demand

## SURVEY FINDINGS & DEMAND

- › Valencia’s current international students have a slightly harder time finding housing, but otherwise profile similarly to domestic students.

Was it challenging to find and secure housing while attending Valencia College?



	Average Rent	Average Commute	% in 18-24 Age Range	Satisfied with Current Housing
International	\$737	20 min	69%	75%
Domestic	\$720	20 min	74%	71%

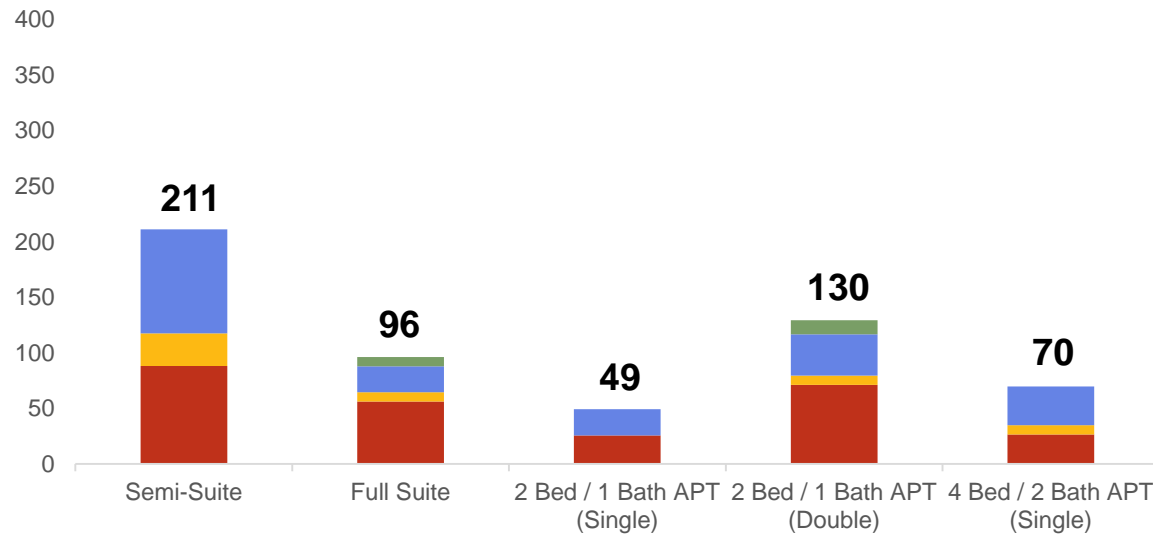


# First- and Second-Choice Demand by Campus

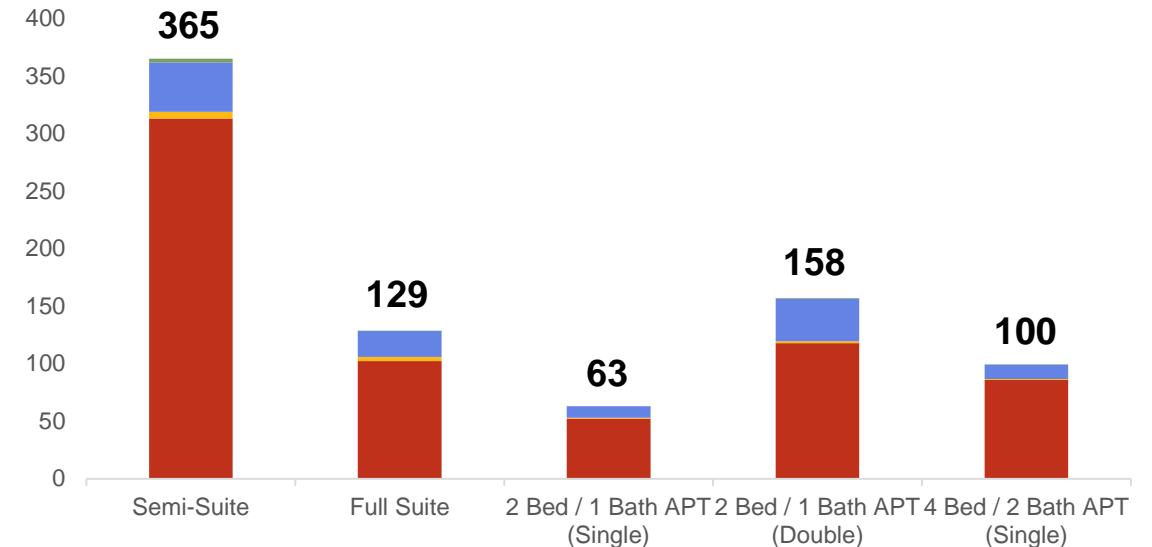
## SURVEY FINDINGS & DEMAND

- › Not all unit-type configurations are market competitive and meet Valencia's strategic priorities. The College must decide how it wants to meet housing demand.

### West Campus Demand: 557 beds



### East Campus Demand: 813 beds



■ Domestic Demand Primary Choice   
 ■ International Demand Primary Choice   
 ■ Domestic Demand by Secondary Choice   
 ■ International Demand by Secondary Choice

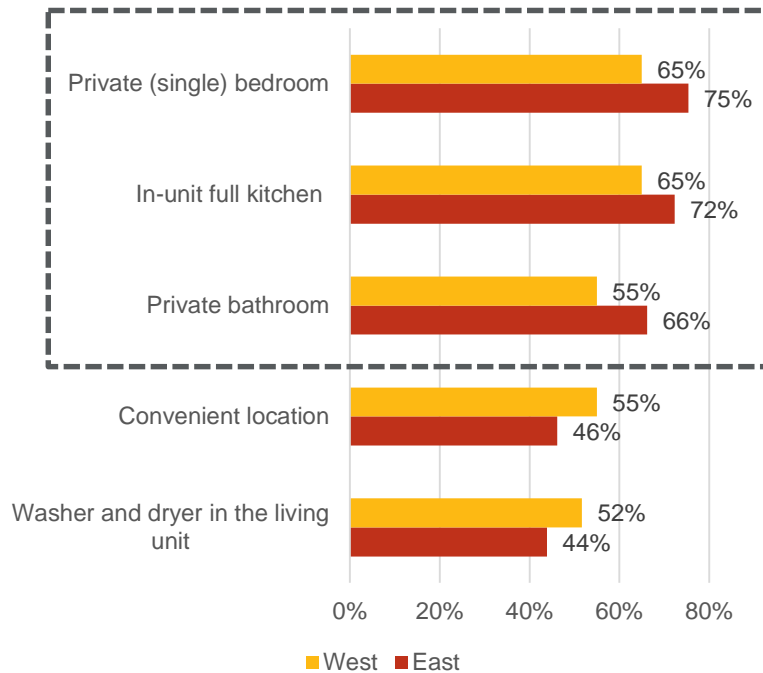


# Student Preferences

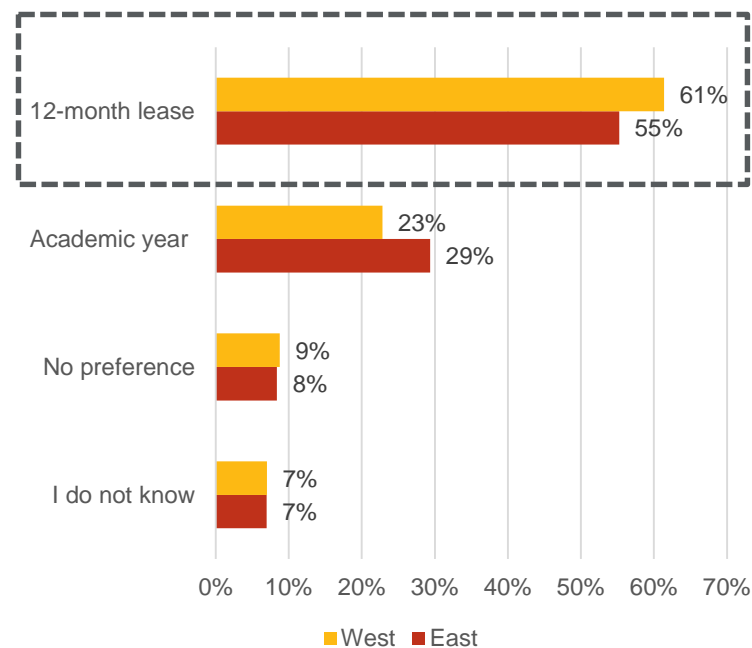
## SURVEY FINDINGS & DEMAND

- › Students in the Target Market Group are predominantly seeking apartment-like amenities and lease terms.

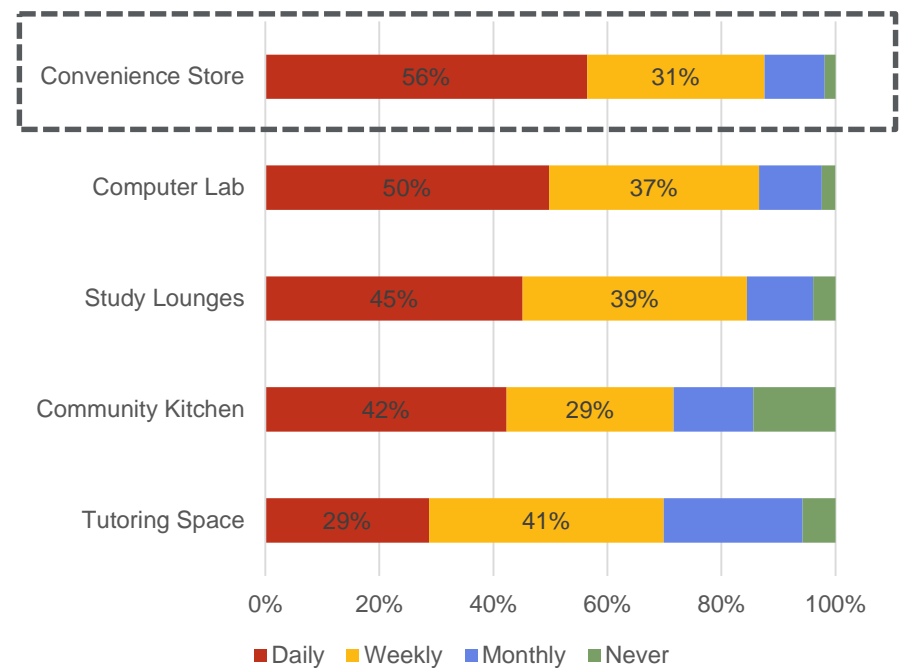
Top Priorities for New Housing



Preferred Lease Term



Amenity Preferences (Frequency of Use)



# Benchmarking Key Takeaways – Amenities & Campus Services



**Florida SouthWestern State College** (Ft. Myers, FL)  
Enrollment: 16,500  
Year Built: 2012  
Number of Beds: 405  
Unit Type: Apartment  
Project Cost: \$26 million



**Texas State Technical College** (Waco, TX)  
Enrollment: 10,700  
Year Built: 1950s-2000s  
Number of Beds: 1,346  
Unit Type: Suites and Apartments



**Sierra College** (Rocklin, CA)  
Enrollment: 21,000  
Year Built: 1998  
Number of Beds: 120  
Unit Type: Suite  
Project Cost: \$7 million



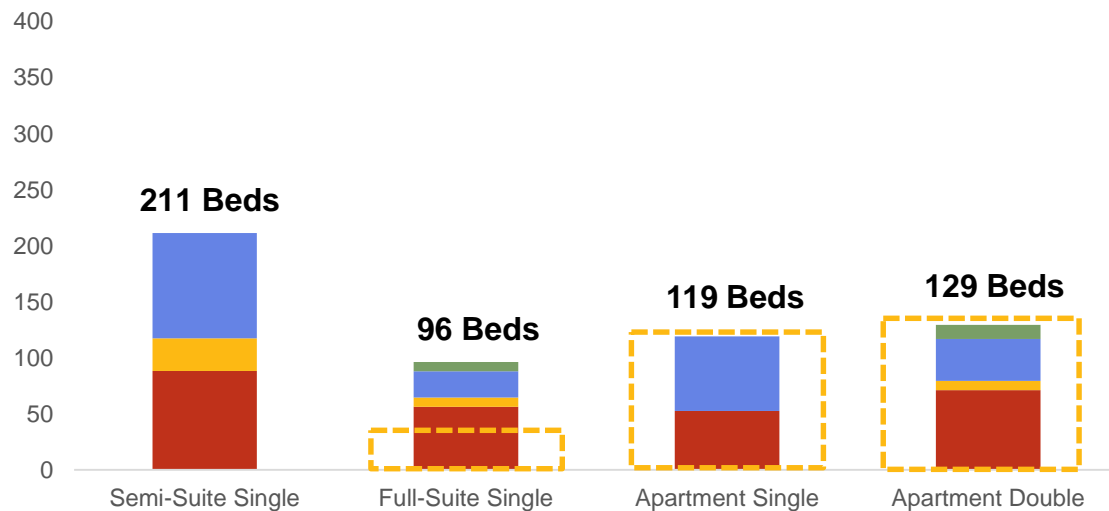
**Orange Coast College** (Costa Mesa, CA)  
Enrollment: 20,000  
Opening Year: 2020  
Number of Beds: 814  
Unit Type: Apartment  
Project Cost: \$90 million

- › Non-apartment units require commitment to other campus life enhancements
  - Meal plans, more robust dining offerings, and extended dining hours
  
- › Community spaces were considered important, event for apartment units.
  - Community kitchens
  - Outdoor athletics / recreation
  - Courtyard spaces
  - Meeting / study spaces

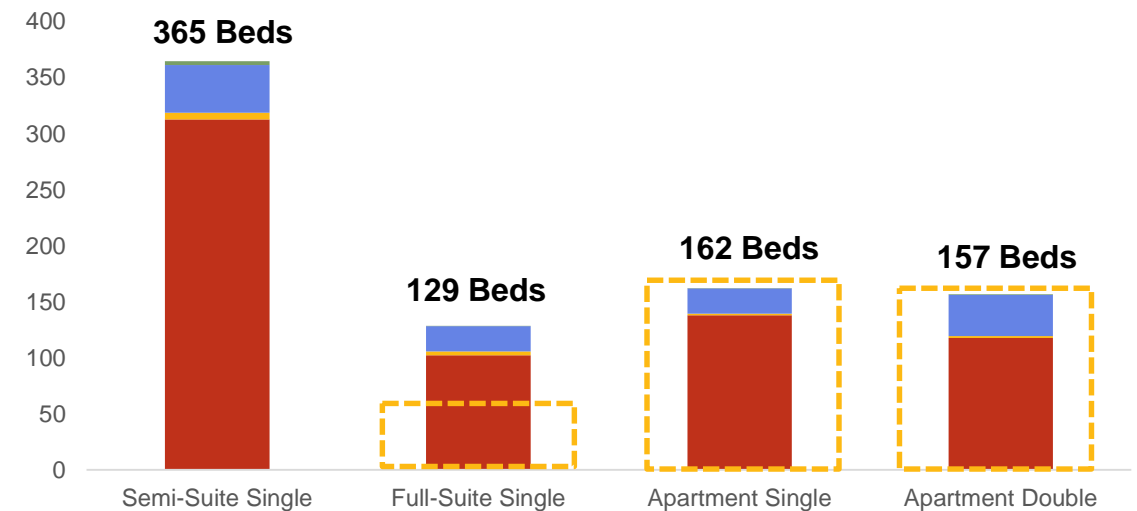
# Recommended Project Program

- › Apartment units best fit Valencia’s Strategic Framework & student preferences
- › Valencia needs to achieve project scale by meeting first- and second-choice demand on only one campus
  - 50% of students who selected full-suites would also live in apartment units.
  - Provide double-occupancy bedrooms for price-conscious residents

**West Campus Program:  
Approx. 280 Apartment Beds**



**East Campus Program:  
Approx. 370 Apartment Beds**



■ Domestic Demand Primary Choice   ■ International Demand Primary Choice   ■ Domestic Demand by Secondary Choice   ■ International Demand by Secondary Choice

# Program & Development Assumptions

## KEY ASSUMPTIONS & OUTCOMES

- › Program assumes community space / study lounges on each floor.
- › Construction assumed to be institutional quality.
- › Structured parking required at East Campus, surface parking acceptable at West Campus.

### West Campus

Double-Occupancy Apartment Beds	120
Single-Occupancy Apartment Beds	152
RA Suites	7
Resident Director Apartment	1
<b>Total Beds</b>	<b>280</b>
<b>Gross SF</b>	<b>92,000</b>
<b>Surface Parking Spaces</b>	<b>196</b>
<b>Total Project Cost (2019)</b>	<b>\$28,500,000</b>
<b>Total Cost / Bed (2019)</b>	<b>\$102,000</b>

### East Campus

Double-Occupancy Apartment Beds	160
Single-Occupancy Apartment Beds	200
RA Suites	9
Resident Director Apartment	1
<b>Total Beds</b>	<b>370</b>
<b>Gross SF</b>	<b>120,000</b>
<b>Structured Parking Spaces</b>	<b>259</b>
<b>Total Project Cost (2019)</b>	<b>\$41,770,000</b>
<b>Total Cost / Bed (2019)</b>	<b>\$113,000</b>

# Rental Rate Implications

## KEY ASSUMPTIONS & OUTCOMES

In order to achieve a 1.10x DCR, students must pay a premium rental rate for on-campus housing, but rates achieve greater parity accounting for convenience, utility costs, and furnished units.

### West Campus Rental Rates (2019)

	<u>Per Month</u>	<u>Per Semester</u>
2x2 Apartment - Double Occ.	\$825	\$3,713
4x2 Apartment - Single Occ.	\$1,070	\$4,815
RA Suite	\$0	\$0

### East Campus Rental Rates (2019)

	<u>Per Month</u>	<u>Per Semester</u>
2x2 Apartment - Double Occ.	\$890	\$4,005
4x2 Apartment - Single Occ.	\$1,145	\$5,153
RA Suite	\$0	\$0

<u>Off-Campus w/in 5 miles</u>	<u>Per Month</u>	<u>Per Semester</u>
Avg. Rent/Bed	\$664	\$2,988
Avg. Individual Utilities Cost	\$151	\$680
<b>Total Cost</b>	<b>\$815</b>	<b>\$3,668</b>

<u>Off-Campus w/in 5 miles</u>	<u>Per Month</u>	<u>Per Semester</u>
Avg. Rent/Bed	\$798	\$3,591
Avg. Individual Utilities Cost	\$131	\$590
<b>Total Cost</b>	<b>\$929</b>	<b>\$4,181</b>

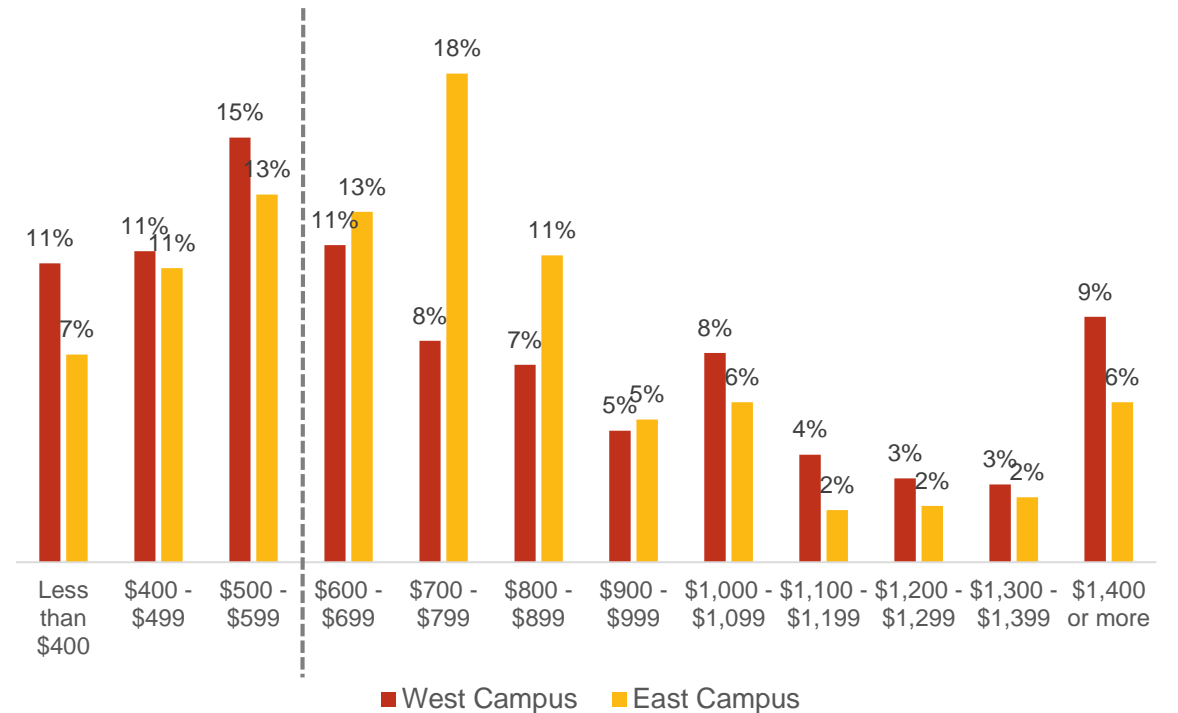
# Market Context

## OFF-CAMPUS ANALYSIS

- › East Campus students are accustomed to paying higher rates for student-oriented housing.

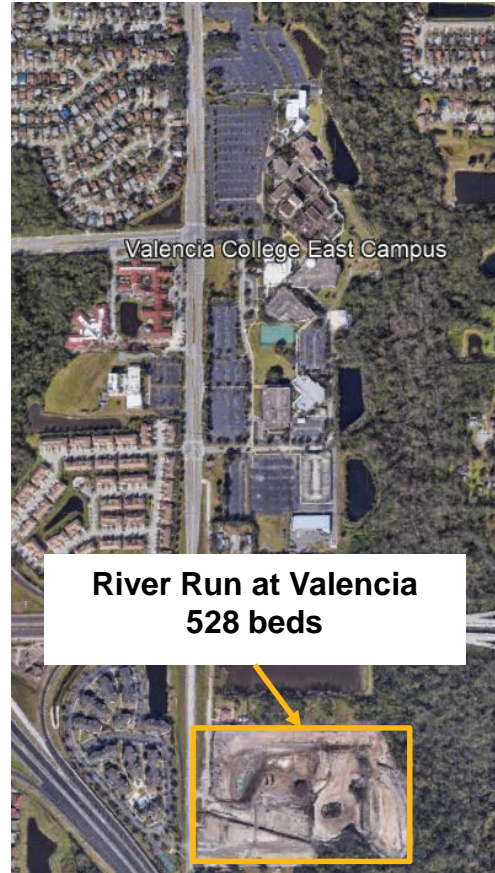
	<u>Student-Oriented Beds</u>		<u>General Market Beds</u>	
	Existing	Planned	Existing	Planned
<b>West Campus</b>				
0 - 1.5 mi. radius	0	0	10,600	699
1.5 - 5 mi. radius	0	0	36,352	1,098
<b>East Campus</b>				
0 - 1.5 mi. radius	0	528	1,388	0
1.5 - 5 mi. radius	16,975	0	38,700	1,429

Individual Share of Monthly Rent



# Market Context

## OFF-CAMPUS ANALYSIS



- > New apartment complexes are being developed within a half-mile of both West and East Campuses, but East Campus is marketing to Valencia Students.

# Market Context

## OFF-CAMPUS ANALYSIS

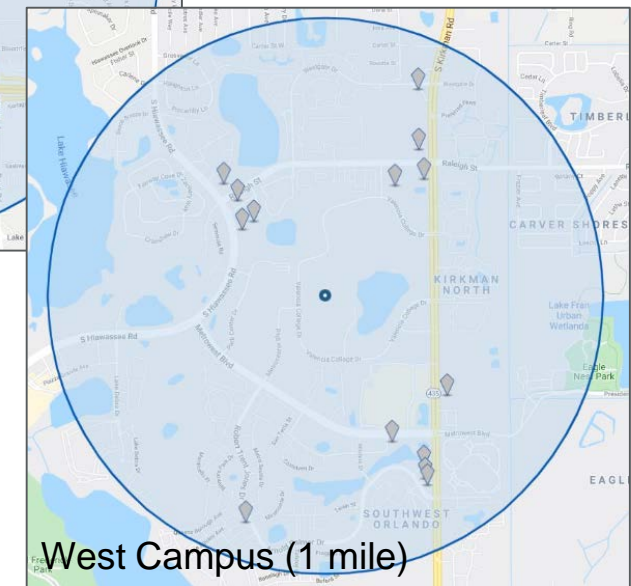
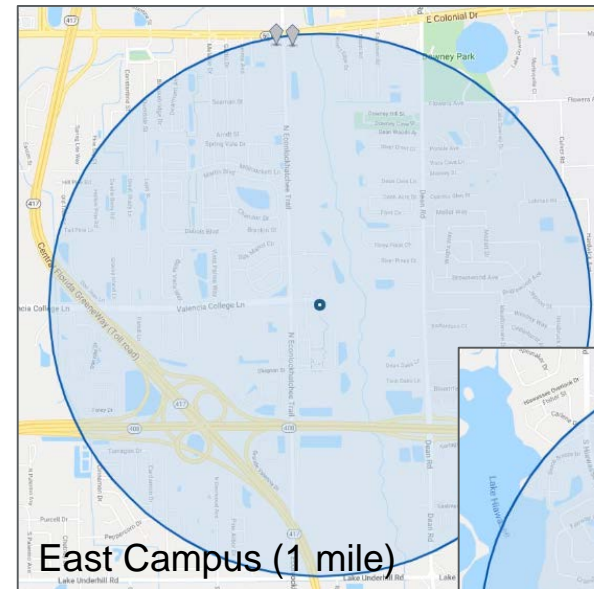
- › West Campus has greater access to nearby amenities that will support on-campus housing.

### Local Retail Amenities

### West Campus 1.5 mi. radius

### East Campus 1.5 mi. radius

Bars	0	1
Convenience Stores	5	7
Drug Stores	3	1
Fast Food	8	3
Restaurants	8	2
Supermarkets	1	0
<b>Total</b>	<b>25</b>	<b>14</b>





# Campus Comparison Summary

## IMPLEMENTATION CONSIDERATIONS

Lower  
Rental Rates

Rates More  
Competitive  
with  
Off-Campus

Less Reliant on  
Second-Choice  
Demand

Fewer Site  
Constraints

Access to  
Off-Campus  
Resources

Access to  
On-Campus  
Resources

Larger  
International  
Student  
Demand

East  
Campus



West  
Campus



# Financing / Delivery Structures

## IMPLEMENTATION CONSIDERATIONS

- › An Equity Partnership structure likely does not fit Valencia's priorities for project control.

	College-Financed	Affiliated Foundation	National Foundation	Equity Partnership
Owner of Improvements	Not Available	Direct Support Organization	National 501(c)(3)	Developer
Control of Improvements		High	Moderate	Low
Cash Flow		Mostly to University	Mostly to University	Mostly to Equity Partner
Cost of Capital		Low to Moderate	Low to Moderate	Moderate to High
Financial Commitment		None	None	None
Tax-Exempt Debt		Variable	Variable	None
Real Estate Taxes		Typically No	Typically No	Typically Yes
Ground Lease		20-30 Years	30-50 Years	50+ Years
Buyout		Defease Debt	Defease Debt	Very Cost Prohibitive
Balance Sheet Impact		Potentially	Potentially	Typically No
Credit Impact		Yes	Yes	Likely Footnoted
Financial Return		Waterfall	Waterfall	Ground Rent
Financial Constraints		1.10x DCR	1.20x DCR	IRR of ~10%-15%

# Financing / Delivery Structures

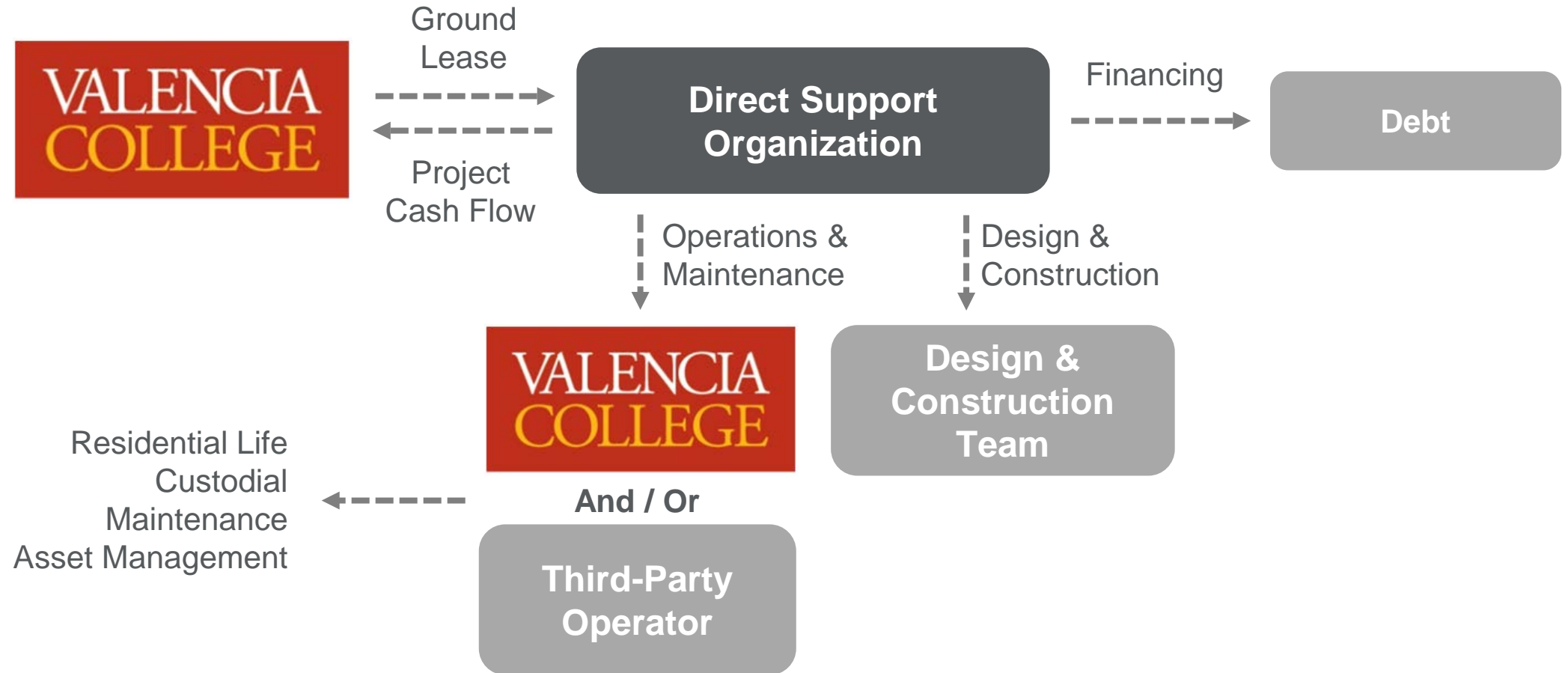
## IMPLEMENTATION CONSIDERATIONS

- › Financing terms available through a DSO favor project affordability and College control.

	Affiliated Foundation	National Foundation	Equity Partnership
Financing	100% Debt	100% Debt	60% Debt / 40% Equity
Equity	0%	0%	40%
Interest Rate	3.00%	4.00%	5.00%
Debt Term	20 years	30 years	30 years
Estimated Cost of Issuance	\$250,000	\$1.5 million	\$250,000
Debt Service Reserve Fund	None	\$1.9 million	None
Ground Lease	20 years	35 years	50 years
Feasibility Hurdle	1.10x DCR	1.20x DCR	13% IRR
Management Fee	None	None	3% of Gross Revenue
<b>Required Avg. Rental Rate for West Campus</b>	<b>\$940 / month</b>	<b>\$979 / month</b>	<b>\$1,011 / month</b>
<b>Cumulative Interest Paid for West Campus</b>	<b>\$10.6 million</b>	<b>\$25.5 million</b>	<b>N/A</b>

# Potential Delivery Structure

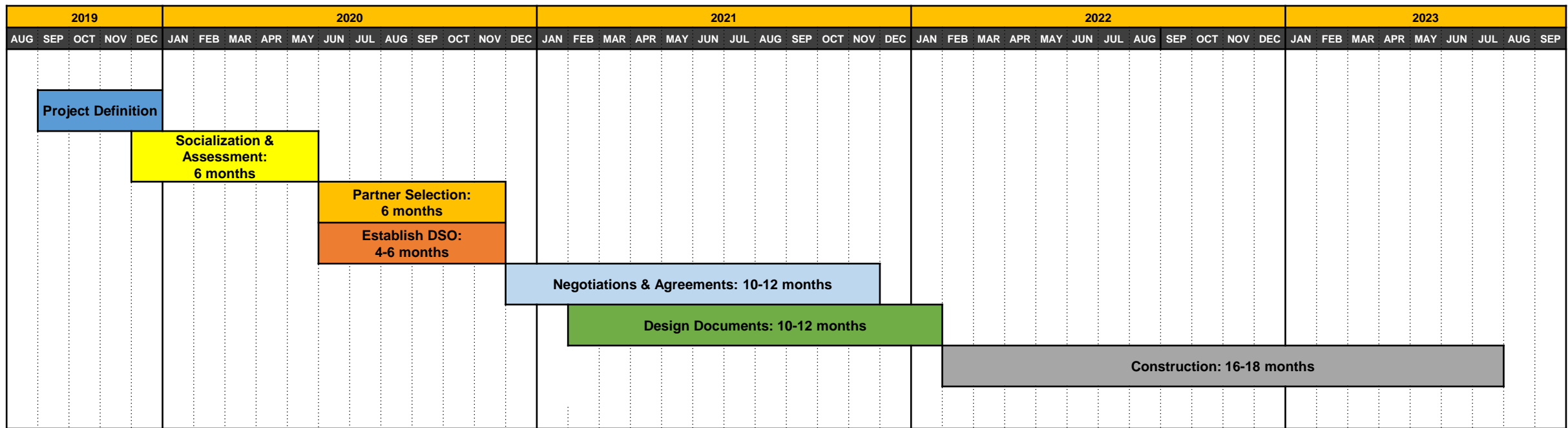
## IMPLEMENTATION CONSIDERATIONS



# Project Schedule

## IMPLEMENTATION CONSIDERATIONS

Based on Valencia's estimated timeline for decision making, the most likely delivery of new housing would be for Fall 2023.



Board of Trustees  
Workshop  
Nov. 20

# Discussion

Questions?

Comments?

Concerns?



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