

Agency: University of Alaska**Project Title:****Project Type:** New Construction and Land Acquisition

Banfield Hall Dormitory Project

State Funding Requested: \$6,250,000**House District:** Southeast Region (1-5)

One-Time Need

Brief Project Description:

The UAS dormitory in Juneau was built with room to add two additional wings. In recent years, the hall was completely occupied - with waiting lists. This project will meet much of the pent-up freshman housing need by adding one wing with capacity for 60 students. Funding began with \$2 million in FY 12.

Funding Plan:

| | |
|-------------------------------|----------------------|
| Total Project Cost: | \$8,250,000 |
| Funding Already Secured: | (\$2,000,000) |
| FY2013 State Funding Request: | <u>(\$6,250,000)</u> |
| Project Deficit: | \$0 |

Funding Details:

The university's analysis (attached) shows it can bond for \$2.25 million of the project to be paid with student housing income. This portion of the request should be UA receipts, along with \$4 million GF.

Detailed Project Description and Justification:

The University of Alaska Southeast Juneau campus can't house all its students, and the problem is most pronounced with freshmen. Banfield Hall is UAS' freshman dormitory. Banfield has been at its full capacity of 84 students - with a waiting list - for several years.

UAS focuses a major portion of its recruitment efforts on rural Alaskans, many of whom choose to come to Juneau because of its size, programs, and caring reputation. These students need campus housing and accompanying support services. In 2010, Banfield hall was home to Alaskans from 36 different communities, including 16 Alaska Scholars. A positive, supported educational experience for freshmen is one of the keys to student retention, improving educational outcomes for Alaskans.

This project provides living spaces for 60 additional students. It also provides meeting space for advising and tutoring, and some spaces for socializing - all factors in student success and retention. The project also includes repurposing and remodeling some existing space to provide food service in Banfield Hall. The area to be repurposed is the 'lodge' which currently serves as a miscellaneous use and meeting area. This will improve student support with no loss of existing rooms.

A look at several years' financial data for the hall reveals that the university can bond for \$2.25 million of the project cost. With \$2 million in hand, this request is for \$4 million GF, and \$2.25 million in UA receipts.

Project Timeline:

Design can be complete by the end of calendar year 2012.
Construction can begin in the summer of 2013.
The new wing should be available for occupancy in fall of 2014.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

University of Alaska Southeast

Grant Recipient Contact Information:

Name: John Pugh
Title: Chancellor
Address: 11120 Glacier Highway
Juneau, Alaska 99801
Phone Number: 796-6498
Email: john.pugh@uas.alaska.edu

Has this project been through a public review process at the local level and is it a community priority? ☒ Yes ☐ No

Banfield Hall Addition

a dynamic learning community at UAS

GOALS

Banfield Hall will create a dynamic learning community where:

- ♦ A community of students support one another in their academic pursuits
- ♦ Students interact with the broader UAS community, both academically and socially, supporting retention and persistence to graduation
- ♦ Students engage in experiential learning—internships, undergraduate research, seminars
- ♦ Students develop an understanding and appreciation of diverse cultures and the variety of human experience
- ♦ Students experience leadership opportunities promoting civic responsibility and volunteerism

PROPOSED IMPROVEMENTS

- ♦ Space for 60 students in 15 four-person suites, including one that is ADA compliant
- ♦ Enhanced student support/academic spaces to provide instruction, tutoring, advising, special seminars, and student study rooms
- ♦ Central and common space at each wing, study room, laundry room, security office, conference/classroom, and storage
- ♦ Add a Hall Director apartment
- ♦ Remodel and enlarge the Housing Lodge to support limited food service.

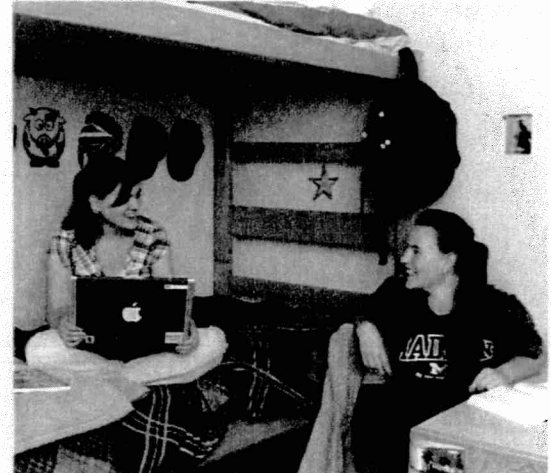
ESTIMATED CONSTRUCTION COSTS & SQUARE FOOTAGE

| | |
|----------------------------|----------------|
| Project Total Cost | \$8,750,000 |
| General Fund Request (75%) | \$6,562,500 |
| Debt Service (25%) | \$2,187,500 |
| Additional Space | 18,568 sq. ft. |

The sixty-student addition to Banfield Hall will create a dynamic community for living and learning — aligning academic and social activities to promote student success and enhance retention. An expanded Banfield Hall will meet a critical need at UAS: to support new freshmen—those most 'at risk' of experiencing difficulties — as they navigate the transition from high school to university.

The proposed addition will become the place where new freshmen gain the knowledge, skills, and guidance they need for an effective transition from home to college. It will provide an academic and social setting where students will develop a sense of personal competence, social responsibility and connection to the broader UAS community. This first year experience will provide instruction, leadership opportunities, and social activities that forge relationships that promote freshman success.

The Banfield Hall Addition is designed to be an active, supportive and exciting place to live and learn. Academic spaces inside the building will promote faculty interaction with students — for teaching, advising, tutoring, and support. To further encourage social interaction, the remodel will include a food service program.



The Need

Solving the critical shortage of freshman housing and the need for a supportive learning community was recently highlighted in the new UAS Strategic and Assessment Plan, developed in 2010-11.

In recent years, Banfield Hall has been at 100% occupancy with a growing waitlist. UAS has students from 36 Alaskan

communities represented in the fall 2010 freshman class. Many of those students come from small rural communities in Interior and Southeast Alaska. Students say they are drawn to the Juneau Campus because of size, supportive atmosphere, and quality academic programs. Living in a supportive learning community is a major contributor to freshman success. Moreover, affordable housing is limited in Juneau, and forcing first-year students off campus deprives them of a critically-important network of academic and community support.

The sixty-bed addition to Banfield Hall is needed NOW. It is good for entering first-year students (and their parents) seeking a successful transition to college. It is good for UAS and the Juneau Campus — without it, growth will be seriously impeded. It is good for Juneau because a thriving UAS brings new economic activity and youthful energy to our community. And, it's good for all of Southeast Alaska — producing talented and motivated graduates who will be important contributors to our region's future.



FORMAL PROJECT APPROVAL

Name of Project: Banfield Hall Addition

Location of Project: UAS Juneau Campus

Project Number: 2004-26

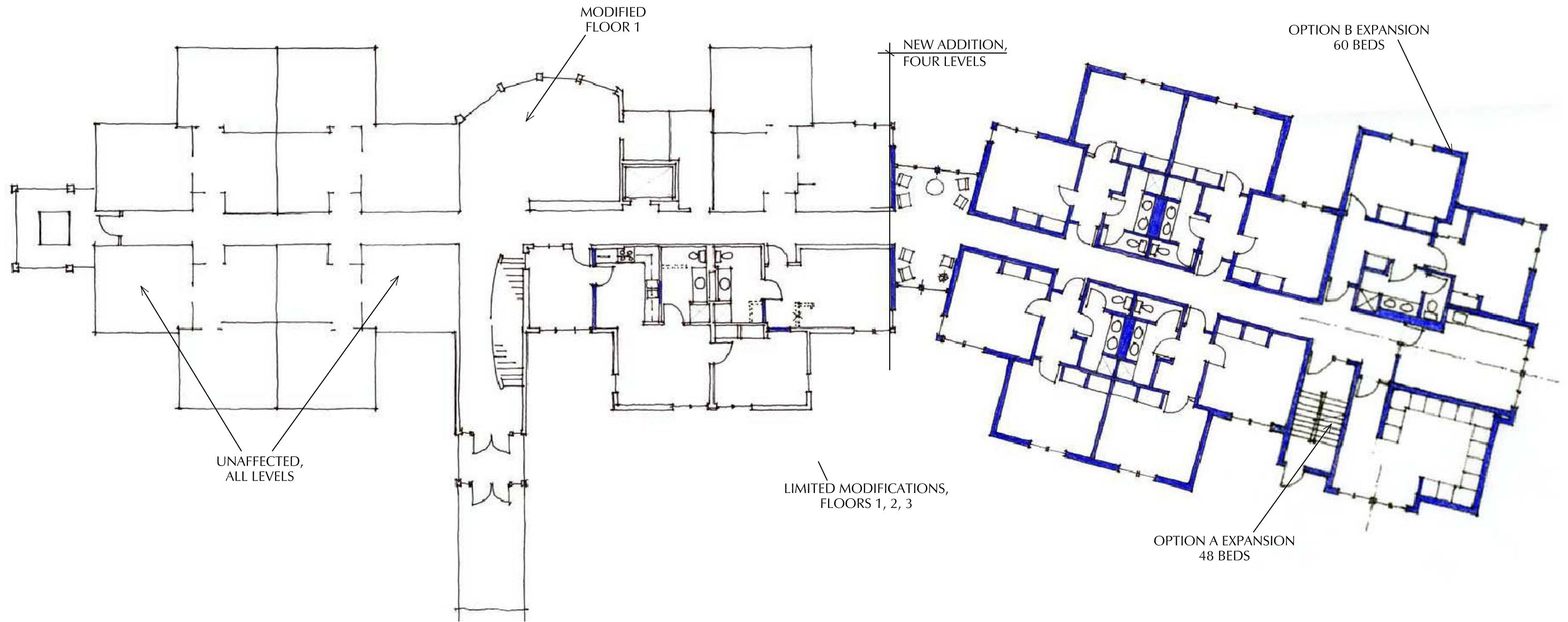
Date of Request: June 2011

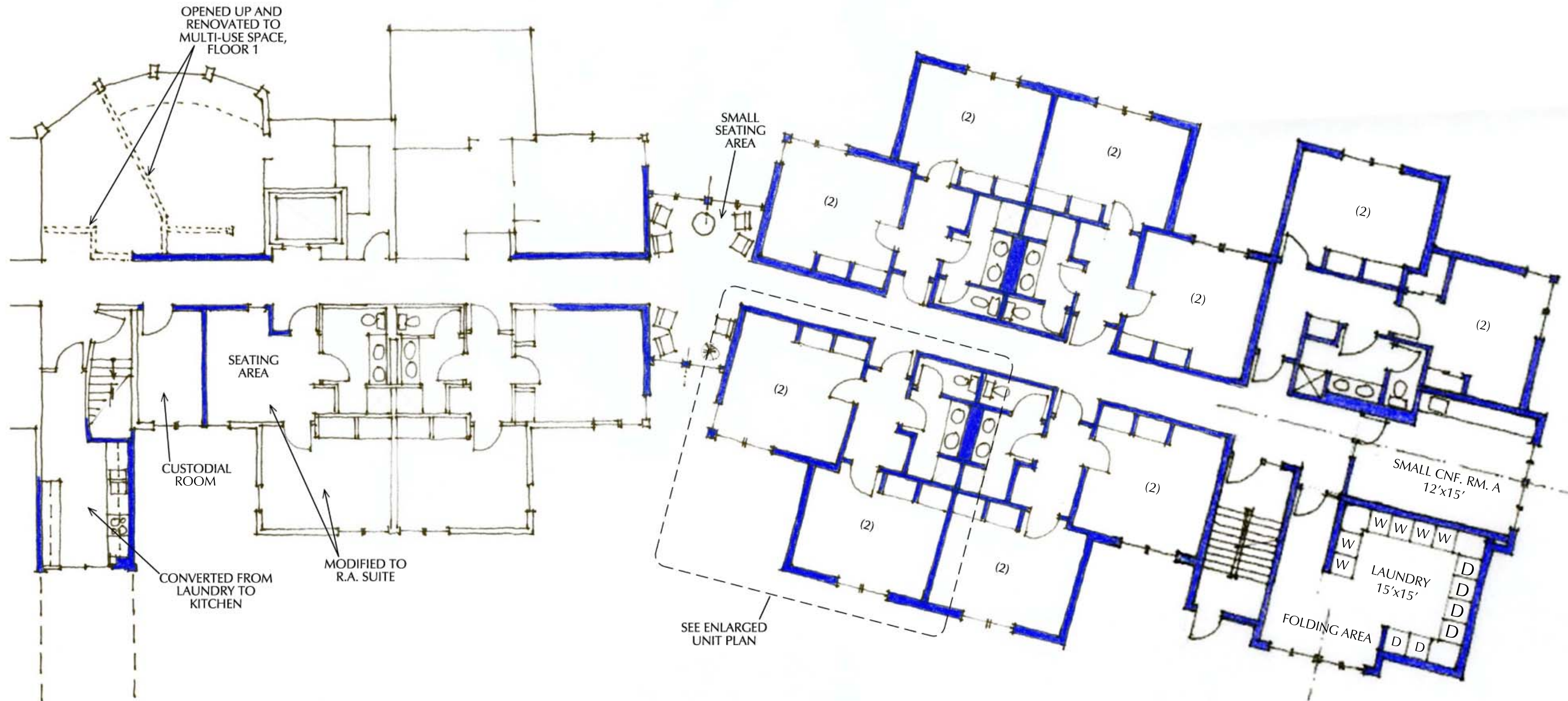
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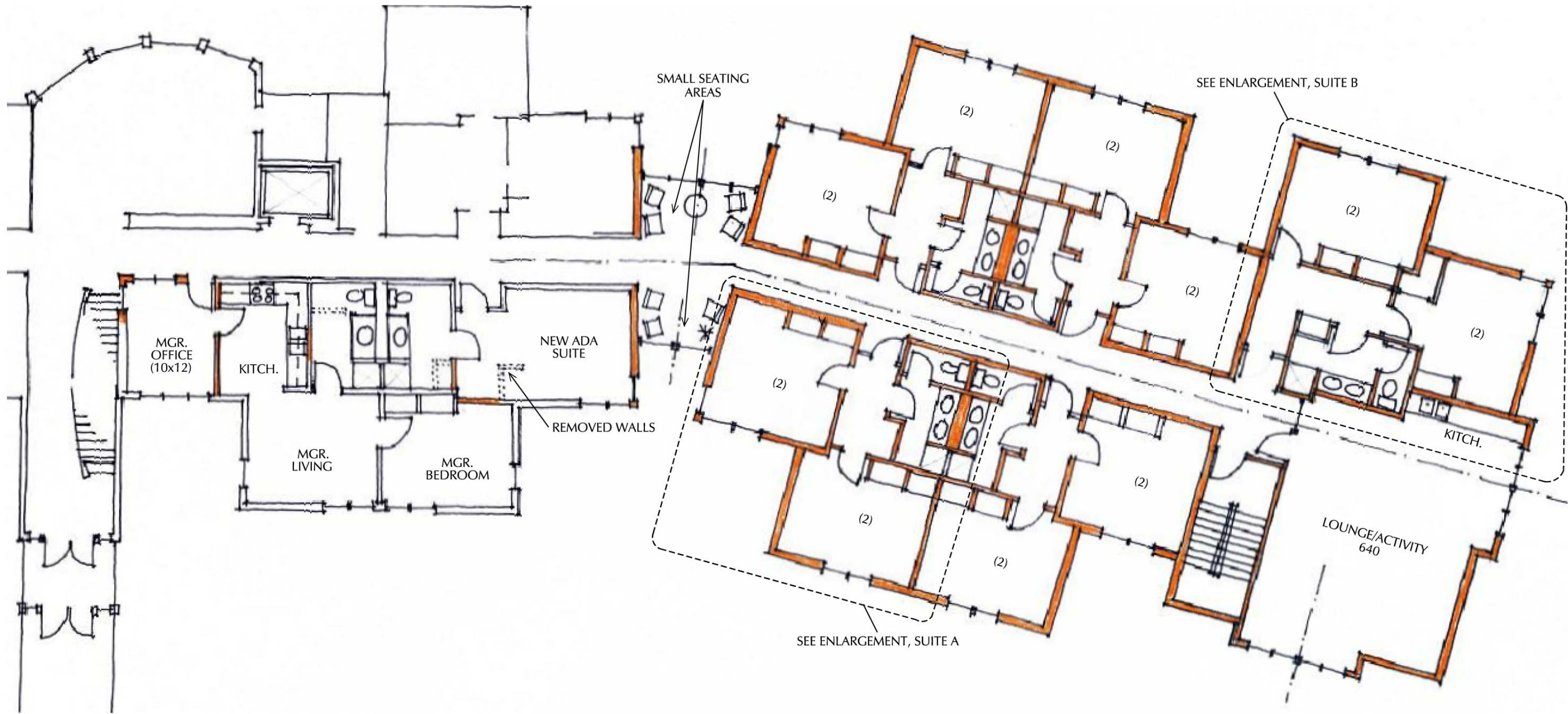
Supporting Documents:

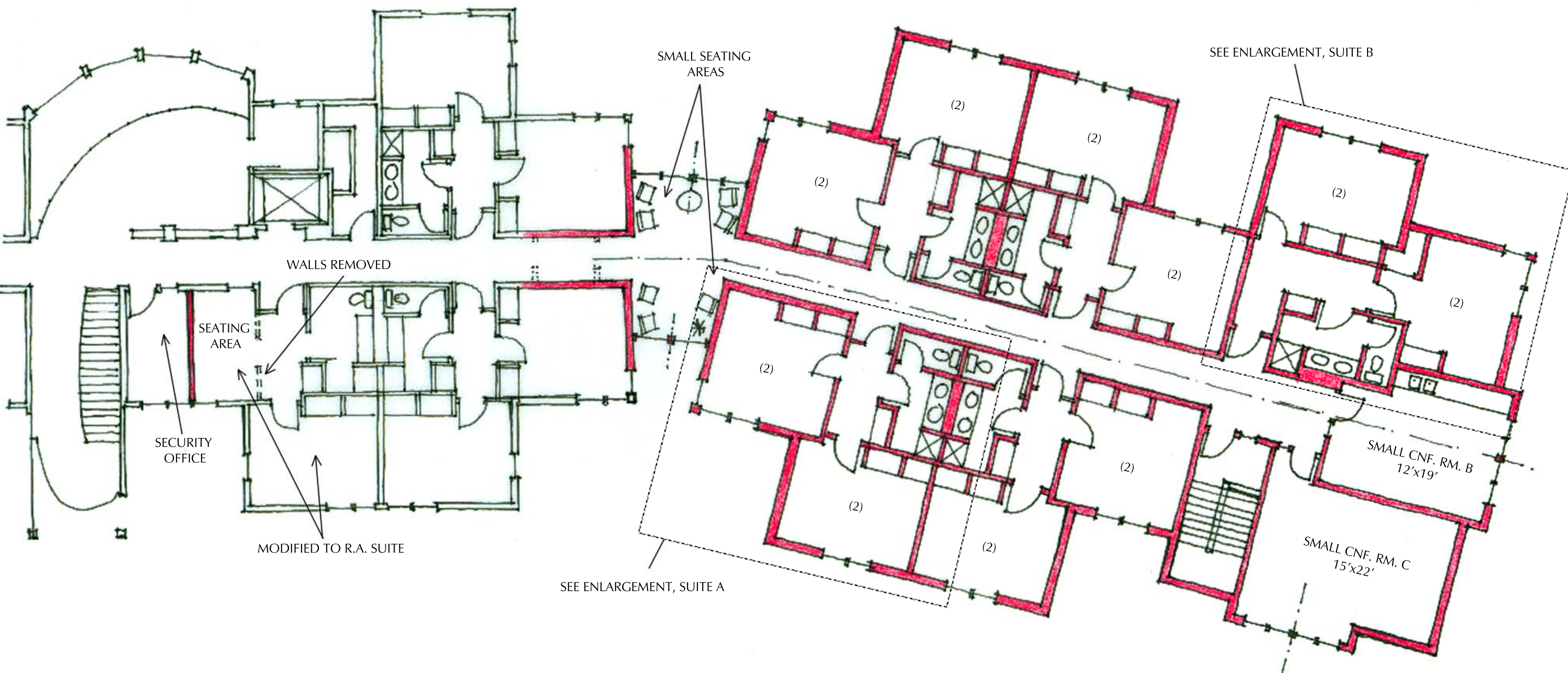
- One Page Budget
- Conceptual Floor Plans
- Project Business Plan

| UNIVERSITY OF ALASKA | | | |
|---|--|------------------|------------------|
| Project Name: Banfield Hall Addition | | | |
| MAU: UAS | | | |
| Building: | | Date: | Apr-11 |
| Campus: Juneau | | Prepared by: | WK Gerken |
| Project #: 04-26 | | Acct #: | |
| Total GSF Affected by Project: | | 21,285 | 18,985 |
| PROJECT BUDGET | | Total Project | Phase 1 |
| A. Professional Services | | | |
| Advance Planning, Program Development | | | |
| Consultant: Design Services | | 848,000 | 654,720 |
| Consultant: Construction Phase Services | | 212,000 | 163,680 |
| Consul: Extra Services (List: _____) | | | |
| Site Survey | | | |
| Soils Testing & Engineering | | | |
| Special Inspections | | | |
| Plan Review Fees / Permits | | | |
| Other | | | |
| Professional Services Subtotal | | 1,060,000 | 818,400 |
| B. Construction | | | |
| General Construction Contract(s) | | 6,420,000 | 4,960,000 |
| Other Contractors (List: _____) | | | |
| Construction Contingency | | 640,000 | 496,000 |
| Construction Subtotal | | 7,060,000 | 5,456,000 |
| <i>Construction Cost per GSF</i> | | <i>\$ 331.69</i> | <i>\$ 287.38</i> |
| C. Building Completion Activity | | | |
| Equipment | | | |
| Fixtures | | | |
| Furnishings | | 210,000 | 210,000 |
| Signage not in construction contract | | | |
| Move-Out Costs | | | |
| Move-In Costs | | | |
| Art | | | |
| Other (Interim Space Needs or Temp Reloc. Costs) | | | |
| OIT Support | | | |
| Maintenance Operation Support | | | |
| Building Completion Activity Subtotal | | 210,000 | 210,000 |
| D. Owner Activities & Administrative Costs | | | |
| Project Plng, Staff Support | | | |
| Project Management | | 420,000 | 385,000 |
| Misc. Expenses: Advertising, Printing, Supplies, Etc. | | | |
| Owner Activities & Administrative Costs Subtotal | | 420,000 | 385,000 |
| E. Total Project Cost | | 8,750,000 | 6,870,000 |
| <i>Total Project Cost per GSF</i> | | <i>\$ 411.09</i> | <i>\$ 361.86</i> |









Executive Summary

The University of Alaska Southeast is at capacity in its ability to offer housing to its incoming freshman class. Navigating the transition from high school to university poses unique challenges to freshmen. Because of this, universities across the United States are finding that retention rates improve when universities place freshmen students in a living and learning environment where academic and social activities are aligned to promote student success. This makes freshman housing significantly different than other types of housing. Forcing first-year students off campus deprives them of a critical network of academic and community support they need to succeed.

With insufficient inventory, UAS will no longer be able guarantee housing to new freshman and their parents. UAS needs to continue to grow its freshman class to increase full-time enrollment. Only thirty percent of UAS's headcount is considered full-time, as compared to UAA and UAF whose full-time students account for forty and forty-two percent of enrollment respectively. This demographic profile makes it difficult for the University to reach the economies of scale or critical mass necessary to achieve operating efficiencies in the delivery of its educational programs.

The lack of affordable on-campus housing also erects barriers to access for many rural Alaskans to higher education. During the 2010 Fall Semester, new freshman representing thirty-six Alaskan communities resided in Banfield Hall. Many of these students were from rural communities located in the Interior and Southeast Alaska. These students choose UAS because of its quality academic programs, size, and supportive atmosphere.

The proposed project includes an 18,985 square foot addition to Banfield Hall. The design includes fifteen four-person suites that will increase the capacity in Banfield Hall by sixty beds. In addition, classrooms will be added to provide space for student support and instruction activities. These activities will include tutoring, advising, freshman seminars, as well as core general education requirements. The space will also provide study rooms for students in the evening hours. Food service capacity is scheduled to be added in Phase II of the project. This will be accomplished by a renovation and expansion of 3,670 square feet in the existing 8,664 square foot housing lodge. Placing food service on the same site as housing will improve student quality of life and facilitate creating a living and learning community that is conducive to student success.

The total cost of the project is estimated at \$8,750,000. Phase I, the addition to Banfield Hall, is estimated at \$6,780,000. The University has received \$4,000,000 in state appropriation to fund the project. A combination of debt financing and University resources will be used to fund the remaining \$2,780,000. Incremental operating expenses and debt service for square footage related to the housing portion of the project will be paid from incremental auxiliary receipts derived from student contract rents. Incremental expenses related to square footage for classroom space will be funded institutionally from additional tuition and fees derived from increased student head-count.

Project Goals and Alignment with Mission,
& Strategic Objectives.

In UAS's *Strategic and Assessment Plan, July 1, 2010 to June 30, 2017*, the University's leadership identified the expansion of freshman student housing as an overarching strategy; an action that will move the institution from its present state of affairs toward its vision in light of the institution's mission, values, and core themes. This strategy will impact most the institution's ability to meet its metrics related to the core theme of student success. Student success requires an investment in academic support and student services that facilitate student access and completion of educational goals. Freshmen students in particular, as they make the transition from living at home to being in college are more likely to experience difficulties. They require additional support and a first-year experience that provides instruction, leadership opportunities, and social activities geared toward ensuring their success and retention.

UAS has had success in recent years in the recruitment of its freshmen class. For the Fall Semester 2010, the Juneau Campus had an incoming class of first-time freshman of 228 compared to only 152 in 2006. This is a fifty percent increase from 2006 to 2010 and is the highest percentage increase of the three main MAU campus locations (*UA Fall 2010 Closing Summary, Table 7, p. 10*). UAS can only continue this growth if it can continue to guarantee on campus freshman housing to its freshman class. With only eighty-four beds, Banfield Hall was at full occupancy when the fall 2010 semester began. Several freshmen students were transferred to the University's apartment style dorms that are traditionally reserved for continuing upper classmen. Others remained on a waitlist when school started. In addition, to ensure the University could accommodate the needs of the greatest number of students, apartments traditionally used for family housing were reassigned as apartments for single continuing students. Going forward, the University will continue to absorb the family housing inventory and reassign it for single student use as family students graduate or move to housing in the community.

Thirty-six Alaskan communities were represented at UAS in this year's incoming freshman class. While the University was successful in attracting students from the metropolitan areas surrounding Anchorage and Fairbanks; many of the University's new students come from Alaska's rural communities and villages. These students choose UAS for its size, supportive environment, and quality academic programs. UAS's recruitment strategy is to continue to provide access to university education to rural Alaska's students.

Current rental market conditions in Juneau are also impacting the University's ability to attract and retain students. According to the Department of Labor's *2010 Alaska Annual Rental Market Survey*, Juneau has the highest average adjusted apartment rents relative to the locations of the University's three MAUs at \$1,115/month. Vacancy rates are also low in Juneau and range between 2% and 4% depending on the size of the units. Combine the high cost with the low availability of units near campus renting becomes impractical for many students and a deterrent to returning to UAS for continuing study. Despite the favorable market conditions for rents, Juneau has not experienced an increase in the inventory of apartment housing. Factors contributing to the low growth rate in housing are high construction and development costs, prohibitive zoning and density restrictions, and the affordability of raw land.

The project's goal is to create a dynamic learning community in Banfield Hall. The project will facilitate a community of students who: Support one another in their academic

pursuits; interact with the broader UAS community, both academically and socially, supporting retention and persistence to graduation; engage in experiential learning including internships, undergraduate research, and seminars; develop an understanding and appreciation of diverse cultures and the variety of human experience; and experience leadership opportunities promoting civic responsibility and volunteerism.

Facility and Operational Considerations

Banfield Hall was opened in 1996 as a residence hall for freshman students. The 17,748 square foot facility currently has eighty-four beds. Near Banfield Hall on the same site, the University has seven apartment buildings with square footage totaling 75,240 and an additional 200 beds. Phase I of the project will add an additional 18,985 square feet to Banfield Hall. Included in the design will be space to house another sixty students, provide remodeled living quarters for the residence life manager, classrooms to support academic and student service program delivery, and central and common space on each wing for laundry rooms, security offices, storage and study rooms.

Phase II, of the project will aim to enhance the supportive atmosphere and the social aspects of dining together. The project includes a remodel and expansion 3,640 feet of the existing housing lodge to accommodate a food service program. The University's current food service is currently located in the Maurant Building which is approximately three-quarters of a mile from Banfield Hall. Bringing food service closer to where students live will facilitate the growth of the learning community and improving student quality of life.

The current Campus Master Plan designates two possible building sites for additional student housing. The first location is in an area just north of the Egan Library and Maurant Buildings. The second option provided for in the Master Plan expands the area of the University's current housing location. The first option would place students closer to the main campus and food service facility. The disadvantage is the University would incur additional personnel expenses to staff the facility. The second option as designed allows the University to add additional beds that satisfy near term housing need without incremental personnel or programming expense.

Financial Plan

The addition to Banfield Hall, Phase I of the project, is budgeted at a cost of \$6,780,000. Currently, the State's capital budget includes a \$4,000,000 appropriation to fund the project. Assuming the appropriation remains in the State's capital budget, the remaining \$2,780,000 will be funded with a combination of University cash and debt. As the expanded Banfield Hall will include space for instruction, academic support, and student services, the cost will be allocated between the auxiliary enterprise and the University's academic and student service units based on square footage. For the allocation of costs see the table *Allocation of Square Footage and Cost of Addition* in Appendix D to the business plan.

Under Board of Regent's policy, maximum annual debt service is restricted to five percent of unrestricted revenues. Using fiscal year 2010 financial results, the University had unrestricted revenues totaling \$38.7 million resulting in a cap of \$1.935 million of annual debt service. The University's highest annual debt service under its current repayment schedule will occur in 2014 with debt service just over \$1,000,000. The University's excess capacity is thus \$900,000. The calculated debt service, assuming the University finances \$2,380,000 and uses cash of \$400,000 yields an estimated additional debt service of \$136,000 per year. This leaves the University well below the limit of 5% of unrestricted revenues. For calculation of annual debt service and capacity see the table *Projected Debt Service and Debt Capacity* in Appendix D.

Because the University can leverage its current staffing and programming dollars to serve the additional sixty students that could be housed in Banfield Hall, incremental expenses are limited to maintaining and operating the new facility. Annual maintenance and repair, including provision for future R&R was estimated at two percent of the project's cost to construct less design and other soft costs. The provision for M&R and R&R is estimated at an annual charge of \$116,000.

The university operates its current housing facilities at approximately \$4.62 per square foot. For the purposes of the business plan, future expenses have been estimated at \$5.07 per square foot. Of the 18,985 square feet in the project, only 16,510 are new. The incremental facility costs will thus increase by 84,000. For analysis of incremental expenses see *Projected Incremental Expenses* in Appendix D. Total incremental expenses for the project are as follows:

| | Housing | Classroom | Total |
|---|----------------|-----------|----------------|
| Projected Facilities Operation's Expense | 77,574 | 6,132 | 83,706 |
| Projected M&R / R&R | 108,036 | 8,455 | 116,491 |
| Projected Debt Service | <u>136,350</u> | <u>-</u> | <u>136,350</u> |
| Total Incremental Expense | 321,959 | 14,588 | 336,547 |

Incremental expenses can substantially be paid from additional rents earned on the new beds. In general, housing revenues are earned from semester student dorm rents, summer and conference housing arrangements, and reimbursements to the auxiliary from the institution. The institution reimburses the auxiliary for the residence life manager’s apartment and dorm rooms for student community advisors who receive housing as part of their compensation. For analysis of incremental revenue see *Projected Incremental Revenue* in Appendix D. Total incremental revenue for the project is as follows:

| | |
|--------------------------------------|---------------|
| Student Dorm Rents | 276,000 |
| Summer Conference Revenue | 61,917 |
| Reimbursements from Student Services | <u>31,780</u> |
| Total Incremental Revenue | 369,697 |

The additional rents are not the only expected cash flow from this project. Tuition generated from incremental beds must also be considered. With an increase of sixty full-time students, the University could reasonably expect an increase in tuition revenue of \$211,000 in year 1 of the project. This calculation assumes all of the additional beds are rented and the students take at least twelve credits per semester at the undergraduate lower-division rate.

If the University can retain and graduate these students at conservative historical rates, the effect on tuition could reasonably be an additional \$700,000 by the sixth year of the project. The assumptions in this calculation are that the University will retain first-time full-time freshman at the University’s current bachelor degree seeking rate of sixty-one percent. It also assumes retention will decrease evenly between the student’s sophomore and senior year where the University will reach its six-year graduation rate of twenty-nine percent. If the University’s retention and graduation rates improve as anticipated, the impact on tuition could be much larger. For analysis of the impact on tuition, see *Impact on Tuition of Banfield Addition* in Appendix D.

University of Alaska Southeast
Banfield Hall Addition
Summary Financial Analysis

| Box 1 Current Space Inventory | | | | | |
|-------------------------------|-------|-----|----------------|------------|-------------------|
| Building | ID | Age | Sq Ft. | Hsg. Units | Adj. Value |
| Student Lodge | JS110 | 26 | 8,664 | - | 2,025,049 |
| Banfield Hall | JS132 | 15 | 17,748 | 84 | 5,449,195 |
| Student Apartments A | JS111 | 26 | 7,330 | 20 | 1,382,251 |
| Student Apartments B | JS112 | 26 | 7,330 | 20 | 1,382,251 |
| Student Apartments C | JS113 | 26 | 7,330 | 20 | 1,382,251 |
| Student Apartments D | JS114 | 26 | 9,870 | 28 | 1,902,807 |
| Student Apartments E | JS115 | 26 | 12,080 | 32 | 2,214,851 |
| Student Apartments F | JS116 | 26 | 17,300 | 44 | 3,175,285 |
| Student Apartments G | JS117 | 26 | 14,000 | 36 | 2,633,525 |
| | | | <u>101,652</u> | <u>284</u> | <u>21,547,465</u> |

| Box 2 Five Year History of Facility Operation Expense | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 10 | 09 | 08 | 07 | 06 |
| Utilities | \$ 334,565 | \$ 268,305 | \$ 326,600 | \$ 262,407 | \$ 234,987 |
| Custodial and Grounds | 76,838 | 76,676 | 60,243 | 56,239 | 38,741 |
| Other Operating Expenses | 57,949 | 38,220 | 41,511 | 33,290 | 33,251 |
| | <u>\$ 469,352</u> | <u>\$ 383,201</u> | <u>\$ 428,354</u> | <u>\$ 351,936</u> | <u>\$ 306,979</u> |
| \$ / Square Foot | \$ 4.62 | \$ 3.77 | \$ 4.21 | \$ 3.46 | \$ 3.02 |
| 5 Year Average | \$ 3.82 | | | | |
| 5 Year Weighted Average | \$ 4.07 | | | | |
| 5 Year % Increase | 42% | | | | |
| Average Annual Increase | 8% | | | | |

| Box 3 Square Footage, Cost, and Debt Allocation of Addition | | |
|---|--------------------|-----|
| Banfield Addition Square Footage | 18,568 | |
| Less Non-Housing Student Service & Instruction Space | | |
| 1st Floor Conference Room A | 180 | |
| 2nd Floor Activity Room | 640 | |
| 3rd Floor Conference Room B | 228 | |
| 3rd Floor Conference Room C | <u>330</u> | |
| | 1,378 | |
| Space assigned to Housing Auxiliary | 17,190 | |
| Total Capital Cost of Project | 8,750,000 | |
| Less Food Service Addition to Housing Lodge | <u>(2,000,000)</u> | |
| Net Cost of Addition to Banfield Hall | <u>6,750,000</u> | |
| Capital Investment in Housing Auxiliary | 6,249,058 | |
| Capital Investment in Student Service & Instruction Space | <u>500,942</u> | |
| | 6,750,000 | |
| Total Project Cost | 8,750,000 | |
| Requested State Appropriation | <u>6,562,500</u> | 75% |
| Institutional Share to be financed | 2,187,500 | 25% |
| Debt Attributable to Housing Auxiliary | 1,562,264 | |
| Debt Attributable to Food Services | 500,000 | |
| Debt Attributable to Student Service & Instruction | <u>125,236</u> | |
| | 2,187,500 | |

Box 4 Projected Debt Service and Debt Capacity

| | |
|--|--------------------|
| Amount to be Financed | 2,187,500 |
| Duration | 30 |
| Interest Rate | 4.00% |
| Projected Annual Debt Service | 125,322 |
| Debt Service Attributable to Housing Auxiliary | 89,502 |
| Debt Service Attributable to Food Services | 28,645 |
| Debt Service Attributable to Student Service & Instruction | <u>7,175</u> |
| Projected Annual Debt Service | 125,322 |
| UAS Unrestricted Revenues FY10 | 38,700,000 |
| BOR Limit on Debt | <u>5%</u> |
| FY 2010 Calculated Capacity | 1,935,000 |
| UAS Current Maximum Debt Service (2014) | <u>(1,022,534)</u> |
| Available Capacity | 912,466 |
| Project's Debt Service | <u>125,322</u> |
| Excess Capacity | 787,144 |

Box 5 Projected Annual Incremental Housing Expense

| | |
|--|---------------|
| Projected Housing Facilities Operation's Expense | 69,989 * |
| Projected Housing M&R Expense | 124,981 ** |
| Projected Housing Debt Service | <u>89,502</u> |
| Total Incremental Costs | 284,472 |

* Housing Auxiliary Square Footage times the 5 year weighted average facility operation's expense / square foot.

** According to UA Capital Budget Guidelines for FY11-16, National Standards prescribe budgeting between 2%-4% of the assets' value as the appropriate annual expense for M&R.

Box 6 Projected Annual Incremental Housing Revenue

| | | | |
|---|------------|----------------|--|
| Revenue from New Rooms | | | |
| 2011-2012 rate / semester | 2,100 | | |
| New Beds in Facility | <u>60</u> | | |
| Semester Revenues | 126,000 | | |
| Annual Academic Contract Revenue | | 252,000 | |
| Revenue Due Auxiliary from Student Services: | | | |
| CA Suites 1st and 3rd Floor | | | |
| 2011-2012 rate / semester | 2,100 | | |
| Beds assigned to CA's | <u>4</u> | | |
| Semester Revenues | 8,400 | | |
| Annual Academic Contract Revenue | | 16,800 | |
| Imputed Compensation for Res. Life Manager Suite: | | | |
| FMV Monthly Adjusted Rent in Juneau, AK | 1,115 | | |
| 12 month contract | <u>12</u> | | |
| | | 13,380 | |
| New Summer Conference Revenue: | | | |
| UAS Average Summer Revenue (FY6-FY10) | 300,000 | | |
| Current Total Bed Inventory | <u>284</u> | | |
| Average Per Bed | 1,056 | | |
| New Beds | <u>60</u> | | |
| | | <u>63,360</u> | |
| Total Annual Incremental Revenue | | 345,540 | |
| Total Annual Incremental Expenses | | <u>284,472</u> | |
| Net Incremental Profit / (Loss) | | 61,068 | |

Notes to Financial Analysis

Box 1 Current Space Inventory - Details the current inventory of beds and square footage designated for use as student housing. The total includes the existing 17,748 in Banfield Hall. The proposed project adds 18,568 square feet including 17,190 square feet in residence quarters and 1,378 square feet in classroom space. The project will also repurpose much of the 8,654 square feet in the student lodge to serve as a new dining and food service facility.

Box 2 Five Year History of Facility Operations Expense- Provides a five-year history of facilities related expenses incurred by the housing auxiliary at UAS. Past experience was used to determine a weighted average cost per square foot for the incremental expenses of operating a new facility. To determine the operating cost per square foot total expenses were divided by the total square footage as indicated in Box 1, current space inventory. The personal services expense related to the auxiliary's administrative, technical and professional staff, non-exempt employees, and student staff, were not modeled. With the addition of sixty beds current staffing would allow the University to achieve some economies of scale without addition staff.

Box 3 Square Footage, Cost, and Debt Allocation of Addition- The addition has three goals. They are to provide additional beds, relocate food service closer to housing, and provide infrastructure for building for delivering freshman programming. As mentioned the proposed addition adds 18,568 to Banfield Hall. Fifteen two bedroom double occupancy suites will add 17,190 square feet. The remaining 1,378 will be classrooms dedicated to student service and instruction. Total project's total cost is \$8.75 million. \$2.0 million is the estimate of the cost to remodel the lodge. The remaining \$6.75 million is allocated between housing and student service and instruction space on pro-rata based on square footage. Housing will be assigned \$6,249 million while the additional classroom space will cost an additional \$500 thousand.

The University is requesting 75% funding or \$6.5 million as state appropriation to fund the project. The remaining \$2.2 million will be bonded by the university and serviced with revenues from the facility. The allocation of debt is assigned pro-rata using assigned cost as the basis. \$1.6 million will be assigned to the Housing Auxiliary, \$500 thousand to Food Service, and \$125 thousand to Student Services and Instruction.

Box 4 Projected Debt Service and Debt Capacity- To finance \$2.2 for 30 years at 4% would cost the University approximately \$125,322 in debt service. A rate of 4% is comparable to what the University was able to obtain in its most recent offering. Debt service is allocated to the Housing Auxiliary, Food Service, and Student Services and Instruction on a pro-rata basis.

The University is well under the BOR's limit of 5% of unrestricted revenues. Fiscal year 2010 unrestricted revenue was \$38.7 million resulting in a debt Service cap of \$1.9 million. UAS's current maximum debt service year is 2014 at total debt service of \$1,022,534. With the additional \$125,322 from this project the University would remain well under the BOR limit of 5%.

Box 5 Incremental Housing Auxiliary Expenses- Incremental Facilities operations expense is estimated at an additional \$69,989 per year. This is calculated as housing auxiliary space (17,190) X the 5 year weighted average of facilities operation's expense or (\$4.07/sq ft). M&R was determined as 2% of the Housing Auxiliary's acquisition costs or 2% X \$6,249,058 for an incremental cost of \$124,981. Debt service related to the Housing Auxiliary is equal to total project debt service of \$125,322 * the quotient of \$1,562,264/\$2,187,500 or debt assigned to housing divided by project's total debt. The result is an incremental cost in debt service of \$89,502. Total incremental costs are \$284,472.

Box 6 Incremental Housing Revenue - The incremental revenue for the housing portion of the project comes from three sources; annual academic contracts, summer conference housing, and amounts paid to the auxiliary by Student Services for housing administrative manager and student CA's quarters. Academic contracts for FY11 have been set at \$2,100 per semester. With an additional sixty rooms that would generate \$252,000 in annual academic contract revenue. Student Services pays for the in-residence manager's suite. The value is equal to a fair market value rent in Juneau of \$1,115 per month times 12 months or \$13,380 per year. In addition Student Services pays for the CAs' beds. These are paid at the academic contract rate per student and results in an additional \$16,800 per year in revenue. Over the last 5 year's the University has earned approximately \$300,000 in summer contracts and conference rentals. Since the University has 284 beds in its inventory, the average revenue per room during the summer is \$1,056. An additional sixty beds would allow the Auxiliary to earn an estimated \$63,360 each summer.