

**Agendum  
Oakland University  
Board of Trustees Formal Session  
December 2, 2015**

**SOUTHERN STUDENT HOUSING COMPLEX –  
ARCHITECTURE AND ENGINEERING FIRM**

**A Recommendation**

- 1. Division and Department:** Student Affairs Division, Finance and Administration Division, Housing Department, and Facilities Management Department
- 2. Introduction:** The most recent University Housing project, Oak View Hall, was completed in August 2014 and was 100% occupied for Fall 2014. The following year, for the Fall 2015 semester, University Housing's 2,700 beds were overprescribed, as evidenced by 93 students being lodged in an off-campus hotel; 200 students on a waiting list; and many single occupancy rooms being used as double occupancy rooms. As a strategic priority, to positively impact enrollment, retention, and graduation, more on-campus housing is desired.

To accomplish this goal, at the direction of the Board of Trustees' (Board) Facilities and New Development Projects Committee (Facilities Committee), a Request for Proposals (RFP) was issued; *Design Services – Student Housing and Dining Facility* (Housing Project). The RFP, approved by the Facilities Committee Chair, requested proposals to provide design services, or an alternative structure, for the implementation of the next phase of student housing.

The Housing Project was defined in the RFP as follows:

*As Oakland transitions from a commuter campus to a residential campus, the need for affordable on-campus housing and dining facilities continues to grow. The proposed facility will consist of approximately 750 beds. The principal target population will be sophomore and junior students. The units must include generous living space for double occupancy (approx. 325-350 sq. ft.), in-room bathroom with adjacent dressing area and sink, and closet space. Limited single occupancy opportunities shall be built into the plan to accommodate staff, ADA, and other issues. One or more centralized laundry rooms and full kitchens (for occasional public use) appropriate to the design of the overall facility. All units must include an area for a small refrigerator/freezer (approx. 4 cubic feet), microwave, small sink and short counter space (approx. 3 linear feet). All units must include individually controlled central heat and air conditioning. Noise attenuation will be an important component in the design of the facility. The design must include a mix of small and large public meeting spaces within the facility with the intent to draw residents out of their living spaces and accommodate a large number of residents for meetings if necessary. Administrative/service/US mail space will be required in the facility along with live-in professional staff living space. The building(s) must have a masonry exterior and must have a minimum life expectancy of 50 years. The facility will include a dining facility that will ultimately accommodate 600 residents, students and staff. The dining area may have an initial seating capacity of less (number to be determined as part of this work) with the remaining area utilized as temporary storage, classroom, or other ancillary use. The Project will also include 200 seats of general purpose classrooms space.*

*The Project size is estimated to be over 220,000 square feet. Construction cost is estimated to be approximately \$65,000,000. The total budget for this Project shall not exceed \$77,000,000, inclusive of all design, site development, and construction costs, permitting, technology, furniture, fixtures, equipment, and landscaping. Oakland requires the Project to be designed*

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*utilizing sustainable design principles and construction practices culminating in LEED Gold certification. All costs associated with this requirement shall be included in the Firm's proposal. Current Oakland Housing details are attached for reference (Attachment B) including room and board rates, occupancy, demographics, room types etc. Preliminary investigation indicates that existing utilities in the area will support the Project requirements. All connections to utilities will need to be made as part of the Project, as utilities are not stubbed to the site. It is not anticipated that Oakland's high temperature water distribution system will be used. All tap fees are to be included in Project cost. Subsurface investigation is underway and a report will be made available to the selected Firm. A boundary and topographic survey will also be made available to the selected Firm.*

Thirteen proposals were received; nine traditional architecture and engineering (A&E) and four alternative structures - two design/build (A&E firm teamed with a construction manager) and two public private partnerships (P3).

A Housing RFP Committee was established to review the proposals:

Glenn McIntosh, Vice President for Student Affairs  
Jim Zentmeyer, Director of University Housing  
John Beaghan, Vice President for Finance and Administration  
Terry Stollsteimer, Associate Vice President for Facilities Management  
Steve Zmich, Director, Capital Planning and Design  
Marie Michalowski, Senior Project Manager, Capital Planning and Design  
Tom LeMarbe, Assistant Vice President, Finance  
Jim Hargett, Assistant Vice President and Controller  
Julie Hamilton, Purchasing Department Buyer  
Peggy Cooke, Assistant Vice President, Academic Affairs  
Eric Bronstein, Executive Vice President, The Scion Group  
Jason Taylor, Vice President, Advisory Services, The Scion Group  
Linda Newman, Senior Associate, The Scion Group

To assist the Housing RFP Committee in evaluating the proposals, a second RFP was issued; *Design Services RFP Evaluation Services – Student Housing and Dining Facility*, to engage a consultant with experience in analyzing alternative structure housing projects. One proposal was received; The Scion Group. The Scion Group's proposal notes that they provide:

"A full suite of advisory and operational services exclusively for student housing. In all contexts, Scion's expertise is focused on helping our clients to deliver exceptional student living experiences while maintaining operating efficiencies and financial sustainability. Our experienced team of professionals represents diverse backgrounds, including higher education administration, real estate financing, property management, economic modeling and student-focused marketing. This blend of experience enables us to maximize the performance of student housing facilities while ensuring alignment with institutional mission and core values.

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Scion couples state-of-the-art methods for real estate analysis and operations modeling with the understanding and sensitivity – based on actual experience in higher education – as to the unique nature and mission of colleges and universities. Scion has been engaged to perform student housing advisory services in over 160 campus markets across North America. This team has extensive experience in the areas of housing and dining design review and operations, technology infrastructure, and alternative structures for design, construction, delivery and financing.”

After review of their proposal, and approval of the President, The Scion Group was engaged.

Of the nine A&E proposals, all were reviewed and determined to be qualified to perform the requested services. The three lowest cost proposals, AECOM, Harley Ellis Devereaux, and Neumann Smith, were selected for interviews. The interviews confirmed the qualifications of each firm, their understanding of the Project scope, schedule and cost. Reference checks were performed by Scion and were positive for all three firms.

Of the two design/build proposals, both were reviewed and determined to be qualified to perform the requested services. Because of the disparity in proposed cost, the lowest cost proposal, Rewold/Neumann Smith (RNS), was selected for interview. During the interview process, and in follow-up clarifications, it was determined that the response was not consistent with the goals set forth in the RFP in terms of scope, schedule and budget. Therefore the design/build option was determined to not be advantageous for the Housing Project.

Of the two P3 proposals, Corvias Campus Living (Corvias) and EdR Collegiate Housing (EdR), both were selected for interviews. The following is a summary of the P3 proposals:

Corvias Campus Living:

Corvias proposed a 45-65 year ground lease plus concession and operating agreements, financed via a 501(c)3 special purpose entity. Under the agreements, Corvias would assume responsibility for operating and maintaining all campus student housing facilities for the term of the agreement. In addition, Corvias proposed defeasing up to \$46 million of existing University debt (current University average cost of capital is 3.64%; Corvias' projected cost of capital is 6%).

The Scion Group analyzed the Corvias proposal and concluded the following:

- Costs related specifically to the design and construction of the Housing Project would exceed the traditional University managed project costs by \$22.7 million due to the cost of debt issuance, development fees, project management fees, and formation fees.
- Net University revenue over the term of the proposed agreement, including an annual management fee of 4.0%, is projected to be higher under the traditional University managed housing operation.
- There is no definitive advantage or conclusion related to on/off balance sheet and on/off credit with the Corvias proposal.

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EdR Collegiate Housing:

EdR proposed a 35-75 year ground lease and operating agreement, financed either via corporate equity and debt or a 501(c)3 independent foundation. EdR's proposal was for the Housing Project only, and does not consider existing campus student housing facilities.

The Scion Group analyzed the EdR proposal and concluded the following:

- Costs related specifically to the design and construction of the Housing Project would exceed the traditional University managed project costs by between \$2.6 million and \$14 million, depending on the delivery method (i.e. equity model versus 501(c)3 model), due to cost of debt issuance, development fees, construction oversight fees, and loan origination fees.
- Net University revenue over the term of the proposed agreement, including an annual management fee of 3.0%-4.5%, depending on the delivery method, is projected to be higher under the traditional University managed housing operation.
- There is no definitive advantage or conclusion related to on/off balance sheet and on/off credit with the EdR proposal.

The Scion Group "recommends that OU not move forward with a P3 transaction for the Project." The Housing RFP Committee agrees with this recommendation.

Therefore, based on a thorough review and evaluation of all proposals, the Housing RFP Committee recommends that Neumann Smith be engaged to provide A&E services for the Housing Project.

Upon Board approval to proceed with the recommended A&E, the University administration will proceed with an RFP for construction management services with a recommended firm to be presented at a future Board meeting for approval.

The University administration will proceed with preparation of bond documents to finance the Housing Project with University issued tax-exempt bonds, with debt service and ongoing operations covered by student room and board revenue. The bond documents will be presented at a future Board meeting for approval.

**3. Previous Board Action:** On December 3, 2012, the Board authorized the last housing expansion of 504 beds, known as Oak View Hall, opening in Fall 2014 at a cost of \$29,950,000, financed by University issued tax-exempt bonds. On September 28, 2015, the Student Housing Planning Update was presented to the Facilities Committee. The Facilities Committee directed the administration to issue an RFP for design services or an alternative structure for the Housing Project.

**4. Budget Implications:** Debt service and associated operating expenses will be budgeted in the annual University Housing auxiliary budget that derives its revenue primarily from student room and board charges.

**5. Educational Implications:** The ratio of on-campus beds to student enrollment is known to be highly correlated with institutional retention and graduation rates. Students who reside in

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campus housing have a greater sense of belonging to a community and, thus, become more fully engaged in academic, student, and residential life opportunities. Added housing will also enable the University to become more geographically diverse and attractive to high achieving students who have many higher education alternatives.

**6. Personnel Implications:** New housing will be fully integrated into the management and operational infrastructure of the existing Housing Department organization with appropriate staffing increases.

**7. University Reviews/Approvals:** This recommendation was formulated by the Director of University Housing and the Associate Vice President for Facilities Management, and reviewed by the Housing RFP Committee, The Scion Group, and President.

**8. Recommendation:**  
RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to negotiate and execute an architecture and engineering contract with Neumann Smith for the Southern Student Housing Complex; and, be it further

RESOLVED, that the total cost for all architecture and engineering services for the Housing Project will not exceed \$3,720,860, which includes a 10% owner controlled contingency; and, be it further

RESOLVED, that the Board of Trustees authorizes the President, the Vice President for Finance and Administration, and their respective designees, to perform all acts and deeds and to execute and deliver all contracts, instruments and documents required by this resolution that are necessary, expedient and proper in connection with the Housing Project and the ongoing administration of the Housing Project; and, be it further

RESOLVED, that said contracts, instruments and documents shall be reviewed by and be in a form acceptable to the Vice President for Legal Affairs and General Counsel prior to execution, and be in compliance with the law and with University policies and regulations and conform to the legal standards of the Vice President for Legal Affairs and General Counsel; and, be it further

RESOLVED, that consistent with Board of Trustees policy, the construction manager recommendation, schematic design, and bond documents will be presented to the Board of Trustees for approval prior to proceeding with construction and bond issuance.

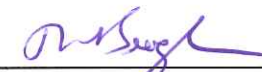
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**9. Attachments:**

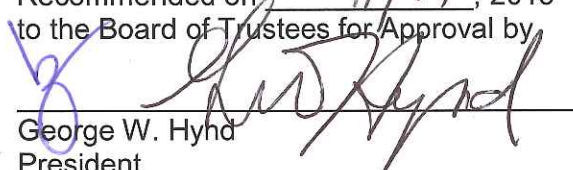
A. Summary of Housing Project A&E Proposal Pricing

Submitted to the President  
on 11/24, 2015 by

  
\_\_\_\_\_  
Glenn McIntosh  
Vice President for Student Affairs

  
\_\_\_\_\_  
John W. Beaghan  
Vice President for Finance and Administration  
and Treasurer to the Board of Trustees

Recommended on 11/24, 2015  
to the Board of Trustees for Approval by

  
\_\_\_\_\_  
George W. Hynd  
President

Attachment A  
Summary of Housing Project A&E Proposal Pricing

<b>Firm</b>	<b>Fee</b>	<b>10% Owner Contingency</b>	<b>Total</b>
Neumann Smith	\$3,382,600	\$338,260	\$3,720,860
AECOM	\$3,743,500	\$374,350	\$4,117,850
Harley Ellis Devereaux	\$4,015,000	\$401,500	\$4,416,500
Lord Aeck Sargent	\$4,237,485	\$423,749	\$4,661,234
Hamilton Anderson	\$4,402,855	\$440,286	\$4,843,141
IDS/Hanbury Evans Wright Vlattas	\$4,717,000	\$471,700	\$5,188,700
SmithGroup JJR	\$4,771,200	\$477,120	\$5,248,320
Progressive	\$4,777,500	\$477,750	\$5,255,250
Goody Clancy	\$5,712,381	\$571,238	\$6,283,619