

ACTION

Agenda Item No. 4.4

Recommendation to the Full Board for Approval to Pursue Bond Financing for Construction of a New Student Housing Facility

Background

Oregon Tech has seen significant growth in freshman enrollment in recent years. This is due in large part to a number of popular degree programs and the success our graduates have in finding careers in their chosen field of study once they complete their education.

Freshman enrollment increased by 9% percent in the Fall of 2018, by 14% in the Fall of 2019 and by an additional 11% in the Fall of 2020. First-time transfer students totaled 489 in 2020 and overall applications were up 450% percent. As a result of this exciting growth, Oregon Tech is on pace to exceed its available on-campus housing capacity within a few years. Fall 2020 on-campus housing occupancy reached 94% of capacity.

In addition to the approaching campus housing shortage, existing campus student housing was constructed decades ago during the 1970's, and although there have been some renovations over the years, they are worn and outdated. Prospective freshmen visiting our campus often remark about the age of the housing units and the lack of modern features such as climate control. These 40-year-old facilities and their sub systems are deteriorating and would be very expensive and disruptive to renovate into anything comparable to new construction.

Building technologies and designs have evolved significantly in recent years and modern facilities feature welcoming and warm colors and patinas as well as ergonomically designed traffic flows and functional features which improve the efficiency of space assignment and utilization. Safe and modern on-campus student housing often makes a significant impression on prospective students and families and can be a primary factor in a student's ultimate decision on where to attend school. The growth in students living on campus supports a robust dining service, utilization of fitness facilities, the library and also builds a strong and engaged campus community.

Staff Recommendation

Oregon Tech is requesting authorization to participate in the Oregon public bonds program to issue \$55 million in 30-year Series XI-F bonds to support the construction of a new student housing facility with approximately 85 beds on the Klamath Falls campus in order to support growing enrollment and to better serve the housing needs of students while enriching the campus experience.

Attachments

- A. [Project Description](#)
- B. [Project Financial Pro Forma](#)

ATTACHMENT A

OREGON TECH NEW STUDENT HOUSING PROJECT DESCRIPTION

Oregon Tech desires to pursue the sale of \$55 million of 30-year Series XI-F bonds through the Oregon State Bond Program, the proceeds from which will be used to construct a new 850 bed student housing facility on the Klamath Falls campus. Oregon Tech based the accompanying financial pro forma on current market indices with regard to bond interest rates and repayment term. The revenue and expense estimates are based on industry benchmarks and on-board professional expertise in developing similar student housing projects. Operating expenditures are based on a combination of current institutional expense ratios and adjusted measures given assumptions about new construction size, design, finish standards and projected occupancy.

The project will follow applicable bid guidelines and will feature a building of approximately 114,000 square feet on 4-5 floors and will be located on the campus within close proximity to existing dining, and other student services as well as the Student Union and Student Recreation Center. Estimated total construction costs, including architectural and programming fees, per gross square foot are more than adequate, at \$485/SF, compared to the industry average of \$360/SF.

The building will be comprised of a steel frame with concrete floors and will feature at least one twin elevator bank to support easy access for residents, especially those with physical mobility challenges. The building will take advantage of the sunny climate of Klamath Falls and will feature natural lighting where appropriate and sustainable or renewable energy elements and rainfall recycling.

The first floor of the facility will feature small group study rooms, and rooms for social gatherings and academic groups as well as resident assistant offices, laundry room, vending, activity rooms and utilities. The facility will feature secure card entrance with video surveillance and will be fully climate controlled throughout with individual thermostatic controls by room. Environmental controls in the common areas will be centrally controlled.

The existing student residence hall will be evaluated by the university and could include retrofitting and updating the current facility, repurposing the facility for office space or razing the building. No determination has been made at this time. Such decisions will be based on the rate of enrollment growth and the timing of the new project.

The Facilities and Finance and Administration teams have developed the attachment financial pro forma and project specifications document to support our request for permission to work with the Legislative Fiscal Office to issue self-funded bonds for financing the project (see Attachment B).

ATTACHMENT B

PROJECT FINANCIAL PRO FORMA

Oregon Tech - New Student Residence Hall to Support Student Growth

Facility Assumptions	Tech Project	Benchmark Median ⁽¹⁾
Number of Beds	850	800
Sq Ft Per Room	100	142
Sq Ft Common Space per bed	33	60
Total Gross sq ft per bed	133	202
Revenue per bed	\$7,000	\$7,710
Avg. Occupancy Rate	95%	95%
Construction Project Cost per Bed	\$64,706	\$84,373
Total Sq. Footage	113,305	96,772
Cost per Sq. Foot	\$485.42	\$360.08
Construction Cost (inc. contingency)	\$55,000,000	\$65,000,000
Series XI-F Series Bond Interest Rate	4.50%	
Bond Repayment Period (years)	30	
Annual Debt Repayment	\$3,493,644	
Occupancy (excl. RA)	100%	
Base Year Max Revenue at 100%	\$5,950,000	

⁽¹⁾ Median Numbers are not Relational

Peer Institution Student Housing Rates		
Comparison	Term	Annual
SOU Greensprings (double)	\$2,562	\$7,686
SOU Shasta (quad)	\$2,893	\$8,679
SOU McLaughlin (quad)	\$3,047	\$9,141
OIT Villiage (quad)	\$2,150	\$6,450
Average	\$2,663	\$7,989

Pro Forma Assumptions	
Revenue Inflation	2.5%
Expense Inflation	2.5%
Staff Inflation	5.0%
Utilities (per SF)	\$2.00
Professional Staff Total FTE	1.0
Staff Salary	\$60,000
Staff OPE Rate	53%
Resident Assistant Pay + Board	\$4,500
Resident Assistants per Resident	28
Resident Assistants	30

Series F- Bond Retirement Schedule						
Year	Fiscal Year	Bond Balance	Principle	Interest	Tot Debt Svc	
1	2022-23	\$55,000,000	\$0	\$2,475,000	\$2,475,000	
2	2023-24	\$55,000,000	\$1,018,644	\$2,475,000	\$3,493,644	
3	2024-25	\$53,981,356	\$1,064,483	\$2,429,161	\$3,493,644	
4	2025-26	\$52,916,872	\$1,112,385	\$2,381,259	\$3,493,644	
5	2026-27	\$51,804,487	\$1,162,442	\$2,331,202	\$3,493,644	
6	2027-28	\$50,642,045	\$1,214,752	\$2,278,892	\$3,493,644	
7	2028-29	\$49,427,293	\$1,269,416	\$2,224,228	\$3,493,644	
8	2029-30	\$48,157,877	\$1,326,540	\$2,167,104	\$3,493,644	
9	2030-31	\$46,831,337	\$1,386,234	\$2,107,410	\$3,493,644	
10	2031-32	\$45,445,103	\$1,448,615	\$2,045,030	\$3,493,644	
11	2032-33	\$43,996,488	\$1,513,802	\$1,979,842	\$3,493,644	
12	2033-34	\$42,482,686	\$1,581,923	\$1,911,721	\$3,493,644	
13	2034-35	\$40,900,762	\$1,653,110	\$1,840,534	\$3,493,644	
14	2035-36	\$39,247,652	\$1,727,500	\$1,766,144	\$3,493,644	
15	2036-37	\$37,520,152	\$1,805,237	\$1,688,407	\$3,493,644	
16	2037-38	\$35,714,915	\$1,886,473	\$1,607,171	\$3,493,644	
17	2038-39	\$33,828,442	\$1,971,364	\$1,522,290	\$3,493,644	
18	2039-40	\$31,857,078	\$2,060,076	\$1,433,568	\$3,493,644	
19	2040-41	\$29,797,002	\$2,152,779	\$1,340,865	\$3,493,644	
20	2041-42	\$27,644,223	\$2,249,654	\$1,243,990	\$3,493,644	
21	2042-43	\$25,394,568	\$2,350,889	\$1,142,756	\$3,493,644	
22	2043-44	\$23,043,680	\$2,456,679	\$1,036,966	\$3,493,644	
23	2044-45	\$20,587,001	\$2,567,229	\$926,415	\$3,493,644	
24	2045-46	\$18,019,772	\$2,682,755	\$810,890	\$3,493,644	
25	2046-47	\$15,337,017	\$2,803,479	\$690,166	\$3,493,644	
26	2047-48	\$12,533,539	\$2,929,635	\$564,009	\$3,493,644	
27	2048-49	\$9,603,904	\$3,061,469	\$432,176	\$3,493,644	
28	2049-50	\$6,542,435	\$3,199,235	\$294,410	\$3,493,644	
29	2050-51	\$3,343,200	\$3,343,200	\$150,444	\$3,493,644	
30	2051-52	(\$0)	\$3,493,644	(\$0)	\$3,493,644	

Student Residence Hall Financial Pro Forma													
Description	Projected 2022-23	Projected 2023-24	Projected 2024-25	Projected 2025-26	Projected 2026-27	Projected 2027-28	Projected 2028-29	Projected 2029-30	Projected 2030-31	Projected 2031-32	Projected 2032-33	Projected 2033-34	Projected 2034-35
Students In Residence Hall		680	723	748	782	808	808	808	816	816	816	816	816
Relevant Occupancy Rate		80%	85%	88%	92%	95%	95%	95%	96%	96%	96%	96%	96%
Annual Room Rate		\$ 7,000	\$ 7,175	\$ 7,354	\$ 7,538	\$ 7,727	\$ 7,920	\$ 8,118	\$ 8,321	\$ 8,529	\$ 8,742	\$ 8,961	\$ 9,185
Housing Revenues		\$ 4,760,000	\$ 5,183,938	\$ 5,501,073	\$ 5,894,899	\$ 6,239,302	\$ 6,395,285	\$ 6,555,167	\$ 6,789,773	\$ 6,959,517	\$ 7,133,505	\$ 7,311,843	\$ 7,494,639
Events and Supplies		\$127,500	\$130,688	\$133,955	\$137,304	\$140,736	\$144,255	\$147,861	\$151,557	\$155,346	\$159,230	\$163,211	\$167,291
Utilities		\$226,610	\$232,275	\$238,082	\$244,034	\$250,135	\$256,388	\$262,798	\$269,368	\$276,102	\$283,005	\$290,080	\$297,332
O&M		\$825,000	\$845,625	\$866,766	\$888,435	\$910,646	\$933,412	\$956,747	\$980,666	\$1,005,182	\$1,030,312	\$1,056,070	\$1,082,471
Professional Staffing		\$91,800	\$96,390	\$101,210	\$106,270	\$111,583	\$117,163	\$123,021	\$129,172	\$135,630	\$142,412	\$149,533	\$157,009
Resident Assistants		\$135,000	\$140,636	\$146,508	\$152,625	\$158,997	\$165,635	\$172,550	\$179,754	\$187,259	\$195,077	\$203,221	\$211,706
Debt Service	\$2,475,000	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644	\$3,493,644
Housing Project Expenses	\$2,475,000	\$4,899,554	\$4,939,258	\$4,980,164	\$5,022,311	\$5,065,741	\$5,110,496	\$5,156,621	\$5,204,161	\$5,253,164	\$5,303,680	\$5,355,758	\$5,409,454
Net Revenue from New Project		\$ (139,554)	\$ 244,679	\$ 520,908	\$ 872,588	\$ 1,173,561	\$ 1,284,789	\$ 1,398,546	\$ 1,585,612	\$ 1,706,353	\$ 1,829,826	\$ 1,956,084	\$ 2,085,185
Other Related Expenditures													
Debt on The Village (Ret. FY 2039)		\$ (1,002,266)	\$ (982,194)	\$ (980,721)	\$ (950,960)	\$ (906,321)	\$ (763,449)	\$ (765,021)	\$ (788,050)	\$ (781,350)	\$ (774,050)	\$ (763,250)	\$ (763,500)
Net Revenue After Old Debt Payment		\$ (1,141,820)	\$ (737,515)	\$ (459,812)	\$ (78,372)	\$ 267,240	\$ 521,340	\$ 633,525	\$ 797,562	\$ 925,003	\$ 1,055,776	\$ 1,192,834	\$ 1,321,685

Footnotes and Assumptions													
1. Oregon Tech's enrollment growth strategy is designed to capture a larger share of the total student pipeline of residents and a larger segment of non-residents because of its high-demand STEM/health programs.													
2. Oregon Tech used a market basket approach from similar institutions and current pricing to get to a base-year revenue per bed of \$7000K. This is conservatively priced.													
3. Oregon Tech has positioned its academic strategy on workforce needs in computer science, engineering, business and health related fields which are industry growth segments with strong student demand.													
4. Oregon Tech has redirected its enrollment strategy in a new direction focusing on key markets in high schools, community colleges and in non-resident markets of inter-mountain west, PNW and mid-west.													
5. Oregon Tech's objective is to retain existing student dorms for repurposing at a later date for other student centric support services or institutional and academic support services.													
6. Approximately 650 students are currently housed in the residence halls at Oregon Tech. Demand for on-campus housing in increasing year over year and is expected to reach over 750 students within the next 2 to 4 years.													
7. Duration of bond retirement is 30 years and is priced at prevailing interest rates. Bond offering is expected as early as the May-June sale of 2022.													
9. Oregon Tech has consulted with contractors to explore a Public-Private development. However, these projects typically feature wood-framing with less steel/concrete than traditional residence halls which is preferred.													