



Office of the Chief Financial Officer and Treasurer

July 14, 2022

The Honorable Eric J. Holcomb
Governor of the State of Indiana
Statehouse
Indianapolis, IN 46204

Dear Governor Holcomb:

At its meeting on July 11, 2022, the Purdue University Board of Trustees approved the purchase of 4.8 acres of land at 1245 W. State Street, West Lafayette, including a three-building, four-story, 387,000 square foot housing complex from the Purdue Research Foundation.

The housing complex was constructed in 2019 and features 831 beds in one-bedroom, two-bedroom and four-bedroom apartment configurations. This acquisition allows the University to provide more of its growing undergraduate population the opportunity to live on-campus and to own a property at an important strategic location adjacent to current residential and dining facilities. Through this purchase the University will eliminate a lease expense of \$5M for this property for the current fiscal year.

The total cost of this purchase is \$155,000,000, which was determined through a competitive bidding process. The funding sources are a combination of Non-Fee Replaced Debt - Auxiliary Housing/Dining, Auxiliary Funds - Housing/Dining and Gift Funds.

Subject to review by the Commission for Higher Education and recommendation by the State Budget Committee and the Budget Agency, we request your approval to proceed with this project. Attached are the completed forms that the Commission has prescribed for its review of such projects. We will be happy to answer any questions you or your staff may have or to provide any additional information that is needed.

Sincerely,

A handwritten signature in blue ink that reads 'Eva M. Nodine'.

Eva Nodine
Vice President and Deputy Chief Financial Officer

Attachments

c: Seth Hinshaw, Chief Financial Officer, Indiana Commission for Higher Education
Zachary Jackson, Director, Indiana State Budget Agency
Jasmine Williams, Assistant Director, Indiana State Budget
Kathleen Thomason, Comptroller, Purdue University
Anne Hazlett, Senior Director, Government Relations, Purdue University

PROJECT COST SUMMARY

Purchase Aspire at Discovery Park Property from Purdue Research Foundation

Institution:	Purdue University	Budget Agency Project No.:	B-1-23-3-02
Campus:	West Lafayette	Institutional Priority:	N/A
Previously approved by General Assembly:	No	Previously recommended by CHE:	No
Part of the Institution's Long-term Capital Plan:	Yes		

Project Size:	387,000 GSF (1)	274,736 ASF (2)	0.71 ASF/GSF
Net change in overall campus space:	387,000 GSF	274,736 ASF	

Total cost of the project (3):	\$ 155,000,000	Cost per ASF/GSF:	\$ 400.52 GSF
Total cost of the demolition:	\$ -		\$ 564.18 ASF
Funding Source(s) for project (4):	Amount	Type	
	\$ 125,000,000	Non-Fee Replaced Debt – Auxiliary Housing/Dining	
	\$ 25,000,000	Auxiliary Funds – Housing/Dining	
	\$ 5,000,000	Gift Funds	
Estimated annual debt payment (6):	\$6,000,000		
Are all funds for the project secured:	Yes		

Project Funding:
 The purchase is being funded primarily by Non-Fee Replaced Debt – Auxiliary Housing/Dining. The University intends to use a combination of Auxiliary Funds - Housing/Dining and Gift Funds to supplement the transaction.

Project Cost Justification
 The purchase value was determined through a competitive bidding process. Purchasing this property allows the University to provide more of its growing undergraduate population the opportunity to live on-campus, and the purchase will eliminate a lease expense of \$5M for this property for the current fiscal year.

Estimated annual change in cost of building operations based on the project:	\$ 2,276,232
Estimated annual repair and rehabilitation investment (5):	\$ 2,250,000

(1) Gross Square Feet (GSF)- Sum of all area within the exterior envelope of the structure.
 (2) Assignable Square Feet (ASF)- Amount of space that can be used by people or programs within the interior walls of a structure. Assignable square feet is the sum of the 10 major assignable space use categories: classrooms, laboratories, offices, study facilities, special use facilities, general use facilities, support facilities, health care facilities, residential facilities and unclassified facilities. For information on assignable space use categories, see Space-Room Codes tab.
 (3) Projects should include all costs associated with the project (structure, A&E, infrastructure, consulting, FF&E, etc.)
 (4) Be consistent in the naming of funds to be used for projects. If bonding, note Bonding Authority Year (1965, 1929, 1927, etc.)
 (5) Estimate the amount of funding the institution would need to set aside annually to address R&R needs for the project. CHE suggests 1.5% of total construction cost
 (6) If issuing debt, determine annual payment based on 20 years at 4.75% interest rate
 - If project is a lease-purchase or lease, adjust accordingly. Note the total cost of the lease in the project cost, and annual payments in project description

PROJECT DETAILED DESCRIPTION - ADDITIONAL INFORMATION
Purchase Aspire at Discovery Park Property from Purdue Research Foundation

Institution:	Purdue University	Budget Agency Project No.:	B-1-23-3-02
Campus:	West Lafayette	Institutional Priority:	N/A

Description of Project

The proposed acquisition of 4.8 acres at 1245 W. State Street, West Lafayette, from the Purdue Research Foundation includes a three-building, four-story, 387,000 square foot housing complex featuring 831 beds in one-bedroom, two-bedroom, and four-bedroom apartment configurations. Aspire at Discovery Park was constructed in 2019. This property includes 8,000 SF of retail space, occupied by Folletts book store, and a small service parking lot for staff. Additionally, there are resident community areas including a gym, social room, conference room and courtyards.

Balfour Beatty-Walsh Housing, LLC placed Aspire at Discovery Park on the market in a competitive bidding process in April 2022. The Purdue Board of Trustees approved a resolution of support on June 10, 2022 for the Purdue Research Foundation (PRF) to undertake a project to acquire the Aspire at Discovery Park development from Balfour Beatty-Walsh Housing, LLC. PRF had a ground lease with Balfour Beatty-Walsh Housing, and the University intends to purchase the buildings and land from PRF in one transaction.

Need and Purpose of the Program

The University has leased a portion of Aspire at Discovery Park since its construction in 2019. Near term, this acquisition allows Purdue to increase housing capacity instead of waiting for the construction of a new facility, which could not be online until Fall 2025 at the earliest.

In recent years, the University has seen unprecedented enrollment growth. In fall of 2021, 10,191 freshman were admitted, the largest ever freshman class for Purdue and the largest class in any Big Ten school since at least 2005. Another indicator of the growth in demand for a Purdue degree is the steady increase in applications over the last several years. Purdue received a record 59,173 applications for the 2021-22 school year.

Overall undergraduate enrollment has increased from 29,255 in 2014 to 37,101 in 2021, a 27% increase. The acquisition of Aspire will provide more students with the opportunity to live in on-campus housing, which in turn enhances their academic experience. Students who live on campus achieve greater academic success and graduation rates than their off-campus peers. Increasing the amount of on-campus housing aligns with the Purdue Moves Transformative Education initiative.

For 2022-23, Purdue has 400 master leased beds and Aspire directly leased the remaining 431 beds. The 2022-23 Purdue/Aspire rates and lease durations (9-month academic year for Purdue master leased and 12-month for Aspire direct leased) will be honored. Following the 2022-23 lease term, it is likely that Purdue will opt to densify the number of beds in certain apartment configurations. The specific number of beds and the associated rates are still being finalized. As always, rates will be approved by Purdue's Board of Trustees prior to their finalization. The University anticipates offering the majority of beds in Aspire at rates that are less than or equal to current Aspire rates.

This purchase allows the University to own a property at an important strategic location adjacent to current residential and dining facilities. The University is in the process of updating the Housing and Dining Master Plan, based on enrollment growth, the success of living/learning communities and residential/retail dining strategy. The update will evaluate and plan for new residence halls, the demolition of select residence halls, strategic renewals and replacements and dining facilities.

Space Utilization

The space is used today as a mixed-use residential facility with modern amenities such as a game room, social areas, study areas, workout room, computer labs, outdoor green spaces, a large conference room and a first floor retail store. There is a small office and mailroom that services the site. The majority of the space, approximately 93%, is classified as residential facility space. The University plans to use the space "as-is" moving forward with minimal changes.

The retail service provider, Follett's Purdue Bookstore, signed a 5 year lease agreement in Spring 2022 prior to the sale of the facility. The lease includes a 5 year extension option at tenant's discretion.

Comparable Projects

This project to purchase residential apartments is unique to Purdue University and higher education in general. Unique aspects of this project are:

- (1) immediate availability to add beds to the University on-campus housing portfolio instead of waiting a projected 3 year build lead-time
- (2) the added beds are located adjacent to current university housing and dining (approximately 200 feet from the nearest residence hall)
- (3) the added beds are a differentiated typology (apartment-style) than most of the current University inventory. Currently, the University inventory is 93% traditional, semi-suite/suite, or pod styles and 7% apartment style. The University master leases approximately 10% or 1,577 additional supplemental apartments. By having this typology within on-campus inventory, it decreases this reliance on master leasing long-term.
- (4) the University reviewed comparable investment sales from 2020/2021 at similar institutions for buildings of similar construction built in 2014 or newer. 5 comparable sales had an average cost/bed of \$136,000/bed.
- (5) the University has considered densification at the facility, which would increase capacity to 1,000-1,200 beds. The densification could ultimately bring the average cost/bed to \$127,000/bed.
- (6) knowing this is a unique opportunity, the University spent considerable efforts financial modeling its purchase justification prior to bidding. The University is confident in the purchase price based on both densified and undensified scenarios.

Background Materials

CAPITAL PROJECT REQUEST FORM
INDIANA PUBLIC POSTSECONDARY EDUCATION
INSTITUTION CAMPUS SPACE DETAILS FOR PURCHASE ASPIRE AT DISCOVERY PARK PROPERTY FROM PURDUE RESEARCH FOUNDATION

(INSERT PROJECT TITLE AND SBA No.)	Current Campus Totals			Subtotal Current and Future Space	Capital Request		Net Future Space
	Current Space in Use	Space Under Construction (1)	Space Planned and Funded (1)		Space to be Terminated (1)	New Space in Capital Request (2)	
A. OVERALL SPACE IN ASF							
Classroom (110 & 115)	336,164	-	-	336,164			336,164
Class Lab (210,215,220,225,230,235)	751,199	72,943	-	824,142			824,142
Non-class Lab (250 & 255)	1,660,307	20,156	29,217	1,709,680			1,709,680
Office Facilities (300)	2,376,323	15,275	8,007	2,399,605		1,445	2,401,050
Study Facilities (400)	392,685	14,337	-	407,022		664	407,686
Special Use Facilities (500)	1,218,100	-	12,709	1,230,809			1,230,809
General Use Facilities (600)	998,733	14,520	2,921	1,016,174		18,469	1,034,643
Support Facilities (700)	2,874,905	(917)	-	2,873,988			2,873,988
Health Care Facilities (800)	216,011	-	-	216,011			216,011
Resident Facilities (900)	2,489,928	-	-	2,489,928		254,158	2,744,086
Unclassified (000)	27,603	-	-	27,603			27,603
B. OTHER FACILITIES (Please list major categories)							
TOTAL SPACE	13,341,957	136,314	52,854	13,531,125		274,736	13,805,861

Notes:

- Space/Room codes based on Postsecondary Ed Facilities Inventory and Classification Manual (2006)

(1) Identify in a footnote the specific facilities that are included in the data in these columns. Do not include pending approval, non-submitted projects or non-funded projects

Space under construction includes:

- Gateway Complex
- Hypersonics Building
- Secure Data Research Project
- Child Care Center Building
- Schleman/Stewart Renovation

Space planned and funded includes:

- Whistler Mechanical Project
- Life Sciences Phenotyping Greenhouse Building
- Mackey Locker Rooms Renovation
- Ross-Ade Stadium Renovation

Space to be terminated includes:

N/A

CAPITAL PROJECT COST DETAILS

Purchase Aspire at Discovery Park Property from Purdue Research Foundation

Institution:	Purdue University	Budget Agency Project No.:	B-1-23-3-02
Campus:	West Lafayette	Institutional Priority:	N/A

ANTICIPATED CONSTRUCTION SCHEDULE

	<u>Month</u>	<u>Year</u>
Bid Date	N/A	N/A
Start Construction	N/A	N/A
Occupancy (End Date)	N/A	N/A

ESTIMATED CONSTRUCTION COST FOR PROJECT

	Cost Basis (1)	Estimated Escalation Factors (2)	Project Cost
<u>Planning Costs</u>			
a. Engineering			N/A
b. Architectural			N/A
c. Consulting			N/A
<u>Construction</u>			
a. Structure			N/A
b. Mechanical (HVAC, plumbing, etc.)			N/A
c. Electrical			N/A
<u>Movable Equipment</u>			N/A
<u>Fixed Equipment</u>			N/A
<u>Site Development/Land Acquisition</u>			N/A
<u>Other (Please list)</u>			N/A
TOTAL ESTIMATED PROJECT COST	\$ -	\$ -	N/A

(1) Cost Basis is based on current cost prevailing as of: (INSERT MONTH AND YEAR)

(2) Explain in the Description of Project Section of the "Cap Proj Details" schedule the reasoning for estimated escalation factors

CAPITAL PROJECT OPERATING COST DETAILS
Purchase Aspire at Discovery Park Property from Purdue Research Foundation

Institution:	<u>Purdue University</u>	Budget Agency Project No.:	<u>B-1-23-3-02</u>
Campus:	<u>West Lafayette</u>	Institutional Priority:	<u>N/A</u>

					GSF OF AREA AFFECTED BY PROJECT	387,000
ANNUAL OPERATING COST/SAVINGS (1)		Cost per GSF	Total Operating Cost	Personal Services	Supplies and Expenses	
1. Operations	\$	1.07	\$ 412,750	\$ 252,750	\$ 160,000	
2. Maintenance	\$	0.76	\$ 295,000	\$ 255,000	\$ 40,000	
3. Fuel	\$	-	\$ -	\$ -	\$ -	
4. Utilities	\$	2.46	\$ 950,346	\$ -	\$ 950,346	
5. Other	\$	1.60	\$ 618,136	\$ 506,416	\$ 111,720	
TOTAL ESTIMATED OPERATIONAL COST/SAVINGS	\$	5.88	\$ 2,276,232	\$ 1,014,166	\$ 1,262,066	

Description of any unusual factors affecting operating and maintenance costs/savings.

(1) Based on figures from "Individual Cap Proj Desc" schedule