

**BOARD OF TRUSTEES
UNIVERSITY OF THE DISTRICT OF COLUMBIA**

UDC Resolution No. 2013-____

SUBJECT: UDC Residential Housing

WHEREAS, pursuant to 8B D.C.M.R. §2100.1 all leases require approval by the Board of Trustees; and

WHEREAS, the Executive Committee shall have all the power of the full Board between meetings and such Executive Committee actions must be submitted for ratification by the Board at the next regularly scheduled Board Meeting; and

WHEREAS, the University enrolls students from across the country and the world who need access to safe and affordable housing close to the University Campuses throughout the District of Columbia; and

WHEREAS, the University has a long term plan to explore and build on-campus student housing as well as maintaining off-campus housing to meet housing needs; and,

WHEREAS, the proposed master lease terms and conditions are normal and customary for leases of this type, nature and duration; and

WHEREAS, the proposed master lease unit rates are consistent with prevailing scales in the community for comparable facilities;

THEREFORE, BE IT RESOLVED, that the Board of Trustees approves a master lease between the University of the District of Columbia (UDC or University) as tenant and AvalonBay Communities, Inc. as Landlord for residential housing at The Consulate, 2950 Van Ness Street, NW Washington, DC 20008. The lease will provide 10 housing units for the current demand of students.

Submitted by the Facilities and Student Affairs Committees

August 14, 2013

Approved by the Executive Committee

August 15, 2013

Ratified by the Board of Trustees

September 10, 2013

Elaine A. Crider
Chairperson of the Board



Fiscal Impact Statement

TO: The Board of Trustees

FROM: Office of the Chief Financial Officer

A handwritten signature in blue ink, reading "Ronald L. Brailsford".

DATE: September 5, 2013

SUBJECT: Proposed Master Lease for Residential Housing at the Consulate

The proposed resolution is to approve a master lease between the University of the District of Columbia (UDC or University) as tenant and AvalonBay Communities, Inc. as Landlord for residential housing at The Consulate, 2950 Van Ness Street, NW Washington, DC 20008. This lease will provide housing units for the current demand of students, including student athletes and other UDC students.

The University currently leases apartment units at the Archstone Van Ness Apartments, located directly across Van Ness from The Consulate. Based on fiscal year 2013 performance, this program generated revenue of \$887k and lease expenses of approximately \$887k.

UDC is currently seeking to 1) house the current student athletes in a location close to campus and 2) offer housing to the general student population. The Office of Student Affairs conducted a survey during the Spring Semester 2013 to gauge the level of student interest in University housing. The survey results were utilized to help assess the need for housing beginning Fall 2013, as well as to provide the data necessary to drive decisions for creating a housing strategy. The housing strategy includes on-going referral assistants, off-campus housing, and plans for on-campus housing.

The results of the survey conducted by Student Affairs (as well as the results from the Housing Feasibility Study conducted by Brailsford & Dunlavey) support the need to locate additional off-campus housing units. This proposed master lease is the result of research conducted by the Office of Student Affairs and the Office of Facilities and Real Estate to identify an off-campus property that would meet the additional housing demand for Fall 2013.

It is important to note that the University is renewing its lease with Archstone. The vision is that Archstone and the Consulate will simultaneously house University students to meet existing demand.

Proposed Lease. The proposed master lease with AvalonBay Communities consists of the following key terms:

- Initial one-year lease term with four (4) consecutive option years;
- Ten (10) units – 2 staff one-bedroom units and 8 student two bedroom units.
- Fixed base rental rate for each two-bedroom unit totals \$2,975.00 per month
- After year one, base rent will escalate at 2% per lease year with each option year so exercised.
- Base rental rates exclude all utilities, cable/internet and furniture rental costs.
- The total base cost for the first lease year is \$357,000.
- Subject to approval by the landlord, UDC may lease additional apartments as they become available if supported by additional student demand and funding.
- The lease penalties apply when terminating the lease prior to the end of any lease year. The lease terms cover a period of five lease years (1 base and 4 consecutive option years).
- A security deposit advance payment in the amount of \$60,100 will be made to the Consulate at the time the lease agreement is signed. This amount will be refunded at the end of the least period.

Additional Costs. All standard costs (rent, utilities, furniture, cable, internet) and two staff units associated with the operation of the housing program will be absorbed by revenue generated from students and summer programs. However, if the students opt to utilize services beyond what is offered via the University's housing program (i.e. parking), the student will make these arrangements directly with the Consulate and will absorb these additional costs independent of the University.

Rental of Units. The University will rent 8 apartments to 40 students. The base rental rate per student is \$4,200 a semester or \$8,400 for the academic year (Fall and Spring). Additionally, based on the historic summer occupancy, summer income is estimated at \$68,000. Therefore, revenue to be derived from the 8 rental units, including non-refundable application deposits, is estimated to be \$410,000 on an annual basis.

Annual Projected Revenue	Rate	Counts	Period	Amount
Student Housing Fee Semester	\$4,200	40	2	\$336,000
Housing Deposits	\$150	40	1	*\$6,000
Summer Programs				\$68,000
Total Revenue				\$410,000

Annual Projected Cost	Rate	Counts	Period	Amount
Rental of 1 bedrooms/month	\$1,875	2	12	\$45,000
Rental of 2 bedrooms/month	\$2,975	8	12	\$285,600
Utilities/month	\$110	10	12	\$13,200
Furniture/month	\$300	10	12	\$36,000
Cable/Internet/month	\$70	10	12	\$8,400
Common Amenities Fee	\$500	10	1	\$5,000
Insurance Fees	\$100	42	1	\$4,200
Maintenance Fees	\$1,006	10	1	\$10,060
Total Expenses				\$407,460
Projected Annual Gain/Loss				\$2,540

Non-Recurring Costs - Subsequent to the approval of the Proposed Master Lease for Residential Housing at the Consulate by the Executive Committee of the Board of Trustee, a decision was made by the University to temporary house students at the Days Inn from August 18th to September 7th, 2013. This decision resulted in a projected non-recurring cost of \$13,297. The projected annual gain shown above is insufficient to cover these costs. However, the University intends to use funds from the remaining balance of the non-refundable housing deposits to cover this non-recurring cost.

Gross non-refundable deposits	\$53,250
Revenue applied to Consulate (above)	\$6,000
Available balance	\$47,255
Days Inn non-recurring cost	\$13,297
Net Balance	\$33,958

Option to Increase Number of Units - Should the University opt to increase the number of rental units to fifteen, the estimated additional revenue and cost would be \$234,750 and \$217,330 respectively, on an annual basis.

Annual Projected Revenue	Rate	Counts	Period	Amount
Student Housing Fee Semester	\$4,200	25	2	\$210,000
Housing Deposits	\$150	40	1	\$3,750
Summer Programs				\$21,000
Total Revenue				\$234,750

Annual Projected Cost	Rate	Counts	Period	Amount
Rental of 2 bedrooms/month	\$2,975	8	12	\$178,500
Utilities/month	\$110	10	12	\$6,600
Furniture/month	\$300	10	12	\$18,000
Cable/Internet/month	\$70	10	12	\$4,200
Common Amenities Fee	\$500	10	1	\$2,500
Insurance Fees	\$100	42	1	\$2,500
Maintenance Fees	\$1,006	10	1	\$5,030
Total Expenses				\$217,330
Net Income				\$17,420

UDC will screen the students to ensure that they are financially appropriate candidates for the student housing. As more apartments become available, UDC will exercise the rights to these apartments only when there is a pipeline of screened candidates ready to occupy these apartments. UDC will be responsible for collecting the rent for these apartments.

Collection of Rents. Students receiving housing will be assessed a rental fee of \$4,200 each semester. Payment for housing consists of financial aid and out of pocket funds. In order to return to housing for spring semester, students must not have a balance of greater than \$500.

The charge for housing is placed on the student's account at the onset of the academic year. According to the current and new Housing Occupancy agreement, students are responsible for housing costs that remain if enrollment is terminated voluntarily or involuntarily (suspension, expulsion, etc.). In the case of a voluntary withdrawal, a student will not be entitled to a return of any funds expended for University Housing; a request can be made to the Vice President for Student Affairs, who shall make the final decision with respect to any such request. The costs will be prorated according to the actual date of enrollment termination.

Risks and Mitigation

Risk Assumptions	Mitigation Strategies
Demand is lower than projected.	<ul style="list-style-type: none"> • The student survey already identified a number of students interested in apartments far greater than the initial number of apartments that UDC will sublease.
Students are unable/unwilling to pay rent.	<ul style="list-style-type: none"> • Students will be screened to ensure that they can pay. • For students who are paying using financial aid, payment will be deducted directly from the student's account (once the student authorizes the Housing Occupancy Agreement along with the Housing Application). • Payments will be monitored via Student Accounts and Financial Aid. • Students who do not pay their bill in full in one semester will not be eligible for housing in the subsequent semester.

Based on historic performance, projected revenues, and estimated costs for FY14 we are assured there will be sufficient funds to cover the proposed Master Lease for Residential Housing at the Consulate. Therefore the University's Board of trustees approval is requested on this action.