UNIVERSITY OF IOWA APARTMENT HOUSING REPLACEMENT

Action Requested: Receive a report on the University's plans to replace Hawkeye Court apartment housing.

Executive Summary: In April 2011, the University provided a report to the Board on the options it was considering to replace the existing Hawkeye Court and Hawkeye Drive apartments. Hawkeye Court includes 427 one and two-bedroom apartments. The units are two story structures, slab on grade with cinder block construction, and were first occupied in 1968. Hawkeye Drive apartments were first occupied in 1960; they are two story buildings with basements and contain 160 two-bedroom apartments. The units, in total, are over 90% occupied during the academic year.

Both of the complexes are beyond their useful lives and the University has continued to invest significant funds to ensure that the apartments and surrounding areas are safe for tenants. Based upon University studies, it believes that a large capital outlay would be needed in the next few years to ensure the short term future of the apartments.

The options the University explored included: 1) financing, constructing and operating apartments using standard practices; 2) entering a University/private partnership with private construction and operation, and 3) discontinuing provision of family housing. The University's preferred option, for which it sought proposals, is to enter into a partnership whereby the University would lease land to a private entity that would plan, construct, and manage the apartment complex with limited financial risk to the University.

As a result of an RFP process, including the solicitation of several Iowa firms and a posting on the University's e-bid system, the University received two proposals; it is currently in negotiations with Balfour Beatty Campus Solutions LLC of Dallas, Texas (the selected firm), to construct and operate approximately 440 beds within 252 apartment units to replace the Hawkeye Court apartments. A subsequent phase is also possible with an additional 330 beds to replace the Hawkeye Drive apartments.

Under the current plan, the Board, on behalf of the University, would enter into a ground lease with Balfour Beatty. As a component of this lease, Balfour Beatty would be obligated to construct the project and manage the apartments. The University would not be obligated for any external agreement Balfour Beatty may enter into to construct and/or maintain the facilities over the life of the lease. The University will continue to work on these plans; subject to successful negotiations, the University envisions bringing a land lease and operating agreement to the Board for its consideration at a future meeting.

Additional Information: In 2010, the University hired The Scion Group to conduct a market analysis and determine options regarding the future of University Apartments. Scion reviewed data, and visited the campus and met with a variety of campus administrators and stakeholders, including students living in the apartments. Scion was asked to develop, model and describe several potential alternatives for renovation, replacement and affiliated housing to continue serving the populations currently living in Hawkeye Campus housing. The market analysis by the Scion Group confirmed that construction by the University would require rental rates above current market rates.
University Apartments resident demographics have shifted significantly over the past several years, with a significant decrease in the number of students with families and an increase in the number of single students living on the Hawkeye Campus. Of the students currently residing at Hawkeye Court and Drive, approximately 61.8% are single with no children, 2.3% are single with children, 17.3% are married with no children, and 12.8% are married with children. International and graduate students (both with families and those without children) comprise a large portion of the tenant population at University Apartments. One of the attractions of University housing to international graduate students is the ease and confidence of working with the University upon arrival in the United States.

The University believes financing and constructing apartments would require housing rates well above current rates and would require a minimum of three years to complete. While the University could develop a referral system with selected local landlords for students with families and not provide on-campus housing, the University does not believe that this option is in the best interests of graduate and international students with families. The University’s preferred option is to enter into a partnership as outlined on the prior page.