

CAMPUS VILLAGE APARTMENTS ACQUISITION

Program Plan

October 29, 2015



University of Colorado **Denver**

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I. Executive Summary

In 2004, the University of Colorado Denver (CU Denver) approached the CU Real Estate Foundation (CUREF) requesting assistance to construct a student housing facility on land controlled by a private developer adjacent to the Auraria Campus. In May of 2005, CUREF purchased the property- 4.75 acres of land located at 4th and Walnut streets. Campus Village Apartments at Auraria (CVA) was constructed on that land, and the 250,773 square foot facility opened to students in the fall of 2006 semester. In 2006, CUREF purchased additional land adjacent to Campus Village. Following the sale of some of that land to RTD, CUREF was left with 3.16 acres or 137,595 square feet (CVA II).

This program plan outlines the terms and justification for CU Denver to assume ownership of CVA and the 3.16 acres of vacant land surrounding the facility in the spring of 2016.

Since the facility opened in 2006, CVA has been owned by a single-purpose limited liability company formed by CUREF, and managed by EdR, a national developer and manager of housing. CU Denver's role in the operations of the facility has been largely advisory. This ownership and management structure has caused confusion amongst students and staff and caused the facility to be isolated and not aligned with student life programs and larger university efforts.

As in 2004, CU Denver desires to attract more out of state and international students, increase non-resident tuition revenue, diversify the student body, and increase first-year student retention. The university also seeks to build on the significant strides made to improve on-campus student life in recent years with the inception and growth of club sports, the birth of Milo the Lynx as the student mascot, the completion of the first CU Denver building at Auraria (Student Commons), and a successful referendum to construct the CU Denver Wellness Center.

Ownership of CVA provides an opportunity to simplify the management structure, and accomplish the university's strategic goals.

CU Denver proposes to take a CU Treasury Line of Credit- in the amount of \$49,770,000 to purchase the land and CVA. This debt will be paid down by housing revenues. CU Denver also proposes to continue using a third party management company, while adding CU Denver staff who will provide direct oversight of CVA and work to increase the quality and quantity of resident life offerings in the facility.

The transfer of ownership between CUREF and CU Denver will occur without direct compensation. The value of the land and improvements that comprise this transaction are estimated to be between \$59M-\$63M.



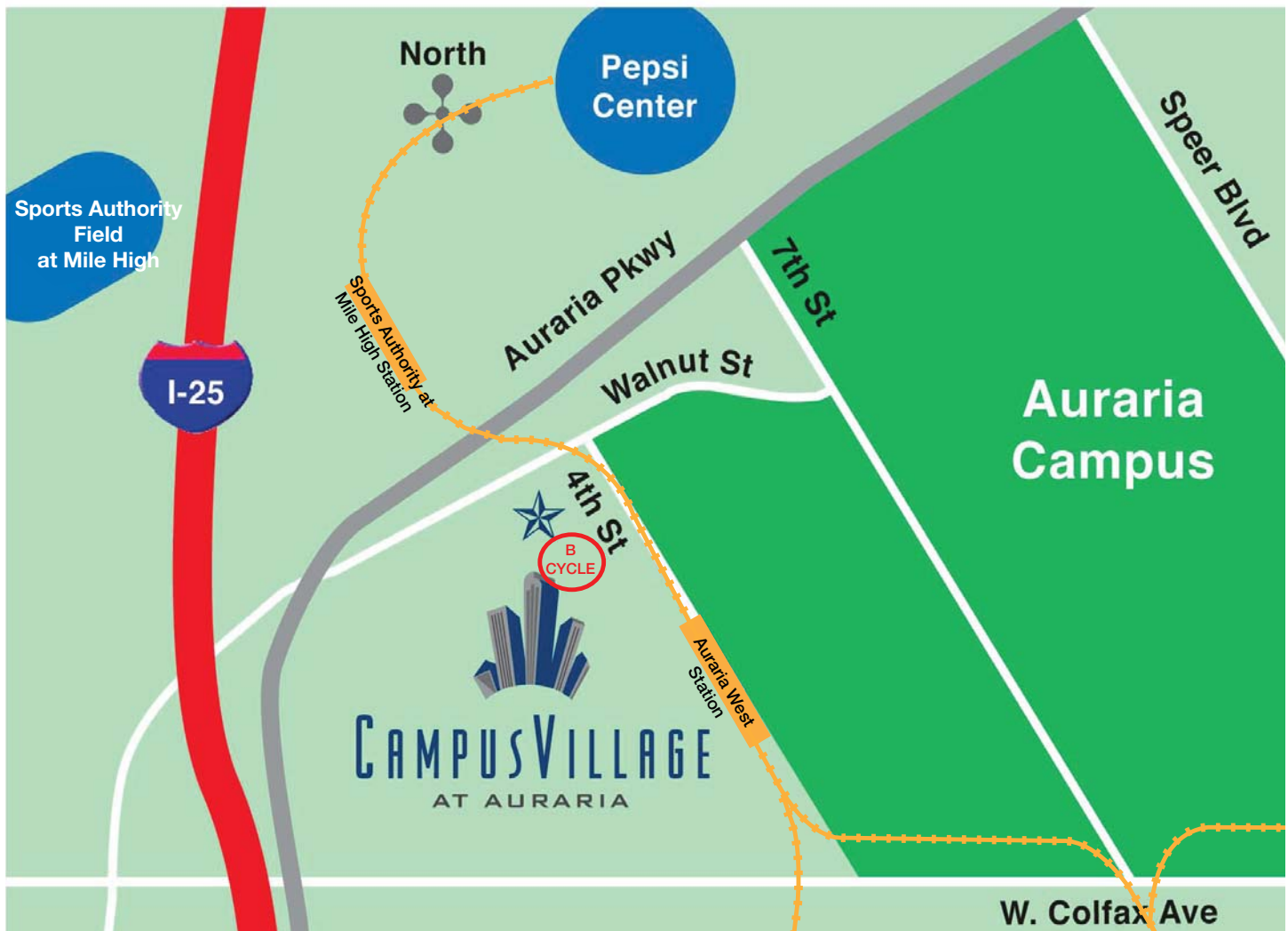


II. Campus Village Apartments at Auraria Overview

A. HISTORY

In 2004, the University of Colorado Denver approached the CU Real Estate Foundation (CUREF) to request assistance to construct student housing on land controlled by a developer adjacent to the Auraria Campus. Student housing was part of a strategy by CU Denver to attract more out of state and international students, increase non-resident tuition revenue, diversify the student body, and increase first year student

retention. On May 26, 2005 Campus Village Apartments, LLC (a special purpose limited liability company whose sole member is the CU Real Estate Foundation) purchased the approximately 4.75 acres of land adjacent to the Auraria Campus near the intersection of Walnut Street and 4th Street. The land had previously been owned by Atlas Metals (approximately 3.75 acres) and Wilamac Corporation (approximately 1.0 acres), and had been used for recycled metal processing and industrial storage. The purchase



CAMPUS VILLAGE APARTMENTS ACQUISITION

price for the land and related closing costs was \$6,634,207, or \$26.54 per square foot.

A development team comprised of Urban Ventures, LLC (developer), Allen & O'hara Education Services (housing consultant), Palace Construction (contractor) and AR7 (architect) designed and constructed the Campus Village Apartments at Auraria (CVA) for \$35,188,973. The building, which totals 250,773 square feet, was completed in July of 2006 and opened for residents for the fall 2006 semester.

B. Site Information

The image below shows the site plan for CVA in context. The development is comprised of a support wing (Administrative, Dining, Workout Room, Classroom) that lies along Walnut Street, four residential "fingers" that frame open courtyard space, and a separate residential wing that lies along 4th Street. At its highest point, CVA is five stories but several of the residential wings are only three stories. The site includes 220 on-site parking spaces, with an additional 145 spaces available on the adjacent CVA II site and, if necessary, more on adjacent AHEC lots. As noted on the image on page 7, Campus Village is located in close proximity to the two RTD light rails stations served by the W, C, and E lines—the Auraria West Station and the Sport Authority Field at Mile



CVA I Site Plan

High Station. There is also a Denver Bcycle (bike sharing) station located at 4th and Walnut, just outside of the main entrance to CVA. The CVA site is a total of 206,983 square feet or 4.75 acres.

C. Unit and Occupancy Information

CVA contains 168 apartments and 62 suites for a total of 685 beds. Aside from the residential space contained in the building, CVA includes approximately 3,700 square feet of food service space, approximately 2,200 square feet of administrative space, and approximately 2,200 square feet of programmed space.

The table at right contains a more detailed breakdown of the residential units by type, and shows the size, occupancy and rental rates for each unit type for the 2014-15 academic year. Twelve units are handicapped accessible.

Images of each unit type are included on the following page.

While the units in CVA are predominantly occupied by CU Denver students, Metropolitan State University of Denver (MSUD) and Community College of Denver (CCD) students also live in Campus Village. The breakdown in November of 2014 by institution was: CU Denver- 86%, MSUD- 10%, CCD- 4%.

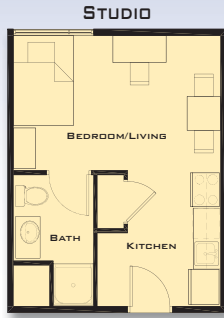
The 168 apartments feature full kitchens and appliance packages, along with central heating and air. The 62 suites have kitchenettes. Overall project amenities include a community center with study rooms and fitness and game facilities, laundry facilities and on-site food service.

Current services include controlled access and security monitoring, high-speed data transmission capacity and internet access in each unit, cable television, recycling and trash removal, mail distribution, resident assistants, student life programs and on-site management and maintenance.



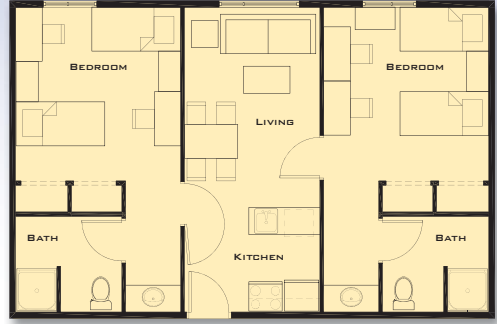
Unit Type	Size SF	Number of Units	Number of Beds	Occupancy	Rental Rates*
Studio	289	35	35		\$1,089
1 Bed/1 Bath (double occupancy)	609	4	8		\$764
2 Bed/1 Bath	619	61	122		\$889
2 Bed/2 Bath Suite (double occupancy)	788	62	248		\$799
2 Bed/2 Bath Apt (double occupancy)	801	24	96		\$799
4 Bed/2 Bath	1,016	44	176		\$854
Total/Weighted Average	709	230	685	103%	\$641

*Rental rates are per bed/per month and are based on 10-month leases and include furnishings and utilities (water, sewer, electricity, gas, trash removal, high-speed data and cable). 12-month leases are also offered.



FLOOR PLAN
For Information Contact Sales Office: 303-573-6
*Actual Floor Plans may vary.

2 BEDROOMS, 2 BATHROOMS DOUBLE OCCUPANCY, FULL KITCHEN



FLOOR PLAN
For Information Contact Sales Office: 303-573-6
*Actual Floor Plans may vary.

2 BEDROOM, 1 BATHROOM, SINGLE OCCUPANCY



FLOOR PLAN
For Information Contact Sales Office: 303-573-6
*Actual Floor Plans may vary.

4 BEDROOMS, 2 BATHROOMS, SINGLE OCCUPANCY



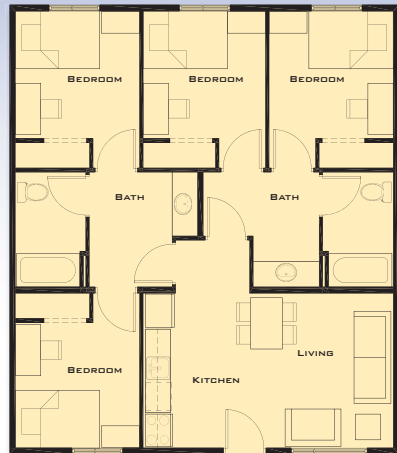
FLOOR PLANS
For Information Contact Sales Office: 303-573-5272
*Actual Floor Plans may vary.

2 BEDROOMS, 2 BATHROOMS DOUBLE OCCUPANCY, EFFICIENCY KITCHEN, SUITE STYLE



FLOOR PLAN
For Information Contact Sales Office: 303-573-6
*Actual Floor Plans may vary.

4 BEDROOMS, 2 BATHROOMS, SINGLE OCCUPANCY, EXTERIOR ENTRANCE



FLOOR PLANS
For Information Contact Sales Office: 303-573-5272
*Actual Floor Plans may vary.

D. Demographics

The two charts below show the breakdown in occupancy by class in 2014-15, and the breakdown by residency status in 2014-15.

2013-14 Class Breakdown

Breakdown	CU Denver		MSUD		CCD		Staff		Total	
	2013 Apps	2013 Leases	2013 Apps	2013 Leases	2013 Apps	2013 Leases	2013 Apps	2013 Leases	2013 Apps	2013 Leases
Freshmen	112	151	16	19	6	5	0	0	134	175
Sophomore	13	18	3	4	1	0	0	0	17	22
Junior	19	101	1	3	0	0	0	0	20	104
Senior	0	8	0	0	0	0	0	0	0	8
Graduate	1	2	0	0	0	0	0	0	1	2
Staff/Other	0	0	0	0	0	0	0	30	0	30
Total	145	280	20	26	7	5	0	30	172	341
Percentage	84.30%	82.11%	11.63%	7.62%	4.07%	1.47%	0.00%	8.80%	100.00%	100.00%

2013-14 Residency Status Breakdown

Breakdown	CU Denver		MSUD		CCD		Staff		Total	
	2013 Apps	2013 Leases	2013 Apps	2013 Leases	2013 Apps	2013 Leases	2013 Apps	2013 Leases	2013 Apps	2013 Leases
In State	93	129	18	22	6	2	0	0	117	153
Out of State	19	66	2	4	1	3	0	0	22	73
International	33	85	0	0	0	0	0	0	33	85
Staff/Other	0	0	0	0	0	0	0	30	0	30
Total	145	280	20	26	7	5	0	30	172	341

E. Management and Partnership Agreements

Campus Village Apartments at Auraria (CVA) is managed by EdR, formerly known as Allen and O’Hara Education Services, which has ownership and management interest in 73 properties in 23 states. CVA, LLC (the ownership organization formed by CUREF for the development of CVA) and EdR entered into a student housing management agreement on May 26, 2005 which stipulates that EdR manage, supervise, rent, lease, maintain and operate the facilities. The original term for the agreement expired on June 30, 2011, but per the terms of the agreement was extended for the first of three additional five year terms to June 30, 2016. CVA LLC, has the right to terminate the agreement with 90 days written notice and is obligated upon termination to pay EdR any earned fees and reimbursable expenses not to exceed \$20,000. If CVA, LLC terminates the management agreement with EdR, CU Denver has first right of refusal to manage the facility.

The EdR management staff at Campus Village Apartments at Auraria includes a live-in, full-time resident life coordinator, two graduate resident directors, and 10-12 student residents of the facility employed as resident assistants. EdR also provides 3 maintenance staff. Two maintenance technicians are on call for after-hours emergencies. Custodial services are provided by a contractor seven days a week.

In 2004, CVA, LLC. and CU Denver signed a letter outlining terms of cooperation for the project. CU Denver agreed to the following terms in the letter:

- To enact a residency requirement for all full-time enrolled freshmen residing outside of 50-mile radius from Auraria and all incoming international students (residency requirement was subsequently expanded to include all freshmen under 21 not living with parent or guardian).
- To market the project to current and incoming students

- To refer students exclusively to the project until the project is at capacity
- To not take part in planning or developing any competing projects unless sufficient demand is demonstrated

CVA, LLC agreed to implement all requirements reasonably and necessarily imposed by CU Denver as conditions to the referral and marketing of the project.

In 2015, the letter of cooperation was amended to remove the residency requirement.

A report published in 2012 outlined some of the challenges with the current arrangement among CVA, LLC, EdR and CU Denver.

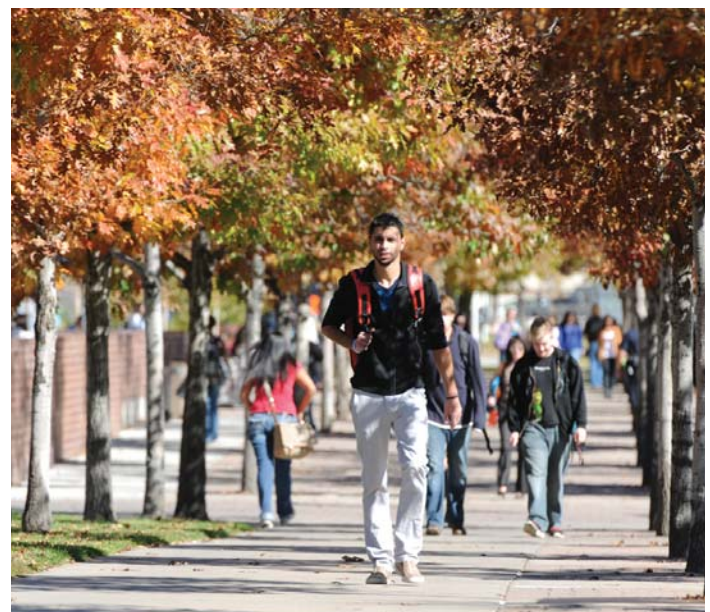
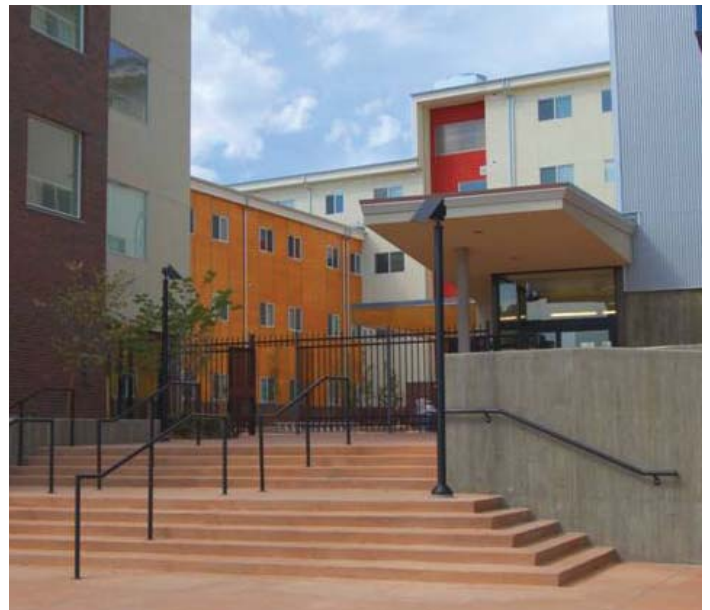
- Students, parents, faculty and staff are confused by the arrangement, often assuming the facility is managed by CU Denver and contacting CU Denver employees instead of EdR staff. This is exacerbated by the disparity between CU Denver and CVA and EdR policies.
- Debt collection is complicated. CU Denver bills students receiving financial aid for housing, but unpaid balances are sent back to EdR for collection, and the university has no recourse for students with unpaid housing charges.
- The marketing for CVA is not integrated with the overall CU Denver marketing efforts.
- CU Denver desires a more robust student life component for residents which is more integrated with the overall goals of the university. That has proved difficult to accomplish with the current arrangement.

F. Facilities Information

The following information was taken from a program review that was conducted in 2013 at the request of CU Denver. The review was conducted by CU Boulder Housing and Dining Services.

The building materials for CVA include wood-frame, brick, stucco, and steel veneer. Heating is provided by two fan coil units served by on site boilers. An on-site cooling tower feeds zone heat pumps to provide ducted cooling. The facility has some photovoltaic panels as part of a power purchase agreement (PPA). The facility has two elevators, each with a call button to Thyssen Krupp. A fire sprinkler system exists for the entire building. Card access provides secure entry into the facility, and resident rooms are individually keyed. A building security system includes 130 cameras. Denver Police has jurisdiction for CVA, but Auraria police provide relational response for incidents that impact the surrounding campus.

To date, no major capital improvements have been made to the facility. However, since the opening of the facility \$175-\$209 per bed per year has been placed into a replacement fund. The current balance of the replacement fund is \$1,126,212. None of the replacement funds have been withdrawn. To date, operating income has been used to fund repairs and any capital improvements.



G. Current Financing

The land purchase and project construction were financed by the issuance of \$50,365,000 in tax-exempt, variable rate bonds issued by Colorado Educational and Cultural Facilities Authority (CECFA) on May 26, 2005, and underwritten by RBC Dain Rauscher. Those variable rate bonds were refunded with \$54,055,000 in fixed-rate bonds issued by CECFA in August 2008. The bond Trustee is U.S. Bank Corporate Trust Services. The capitalized project costs are shown in the chart below.

	Capitalized Project Cost	Per Square Foot
Land and Land Closing	\$6,634,207	\$26.54*
Development/Design/Construction	\$33,739,923	\$134.96
Furniture, Fixtures and Equipment	<u>\$1,449,050</u>	<u>\$5.80</u>
Total Project Costs:	\$41,823,180	\$167.30
*land only costs averaged \$31.27/SF		
Underwriter's Discount	\$566,606	\$2.27
Costs of Issuance	\$720,420	\$2.88
Deposit to Capitalized LOC Fees Fund	\$1,108,432	\$4.43
Deposit to Debt Service Reserve Fund	\$3,273,351	\$13.09
Deposit to Capitalized Interest Fund	<u>\$2,666,798</u>	<u>\$10.67</u>
Total Financing Costs:	\$8,335,607	\$33.34

H. Current Market Competition

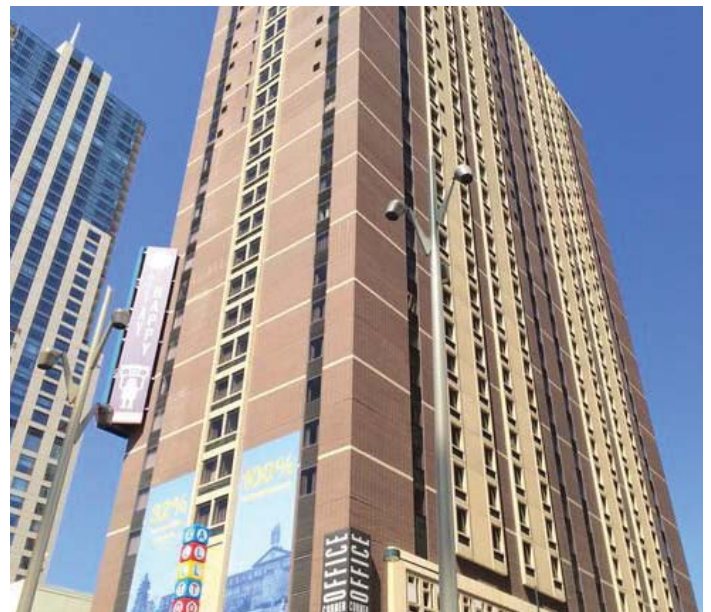
There are currently no other housing developments within or directly adjacent to the Auraria Campus, and there are no immediate plans to develop housing on the Auraria Campus.

The two primary competitors of Campus Village Apartments at Auraria are the Auraria Student Lofts and the Regency Student Housing Community, but Campus Village management also believes that a significant number of Auraria students also live at the Marquis at the Parkway. All of these facilities market directly to Auraria students.

Auraria Student Lofts

The Auraria Student Lofts opened in August 2006, with 439 beds in 125 apartment units, located on the top 14 floors of a building in downtown Denver within walking distance of the Auraria Campus. The Auraria Student Lofts frequently refer CU Denver freshmen inquiries to CVA.

The Curtis Hotel and some retail operations occupy the remaining floors of the 30 story building built which was built in 1972.





The Regency and the Villas

With approximately 1,000 beds, the Regency and the Villas are located 2.5 miles from the Auraria Campus. The Regency, which opened in August 2005, occupies the former Regency Hotel which was built in 1972. The Regency provides shuttle service to Auraria. The Villas were completed in August 2013.

Marquis at the Parkway

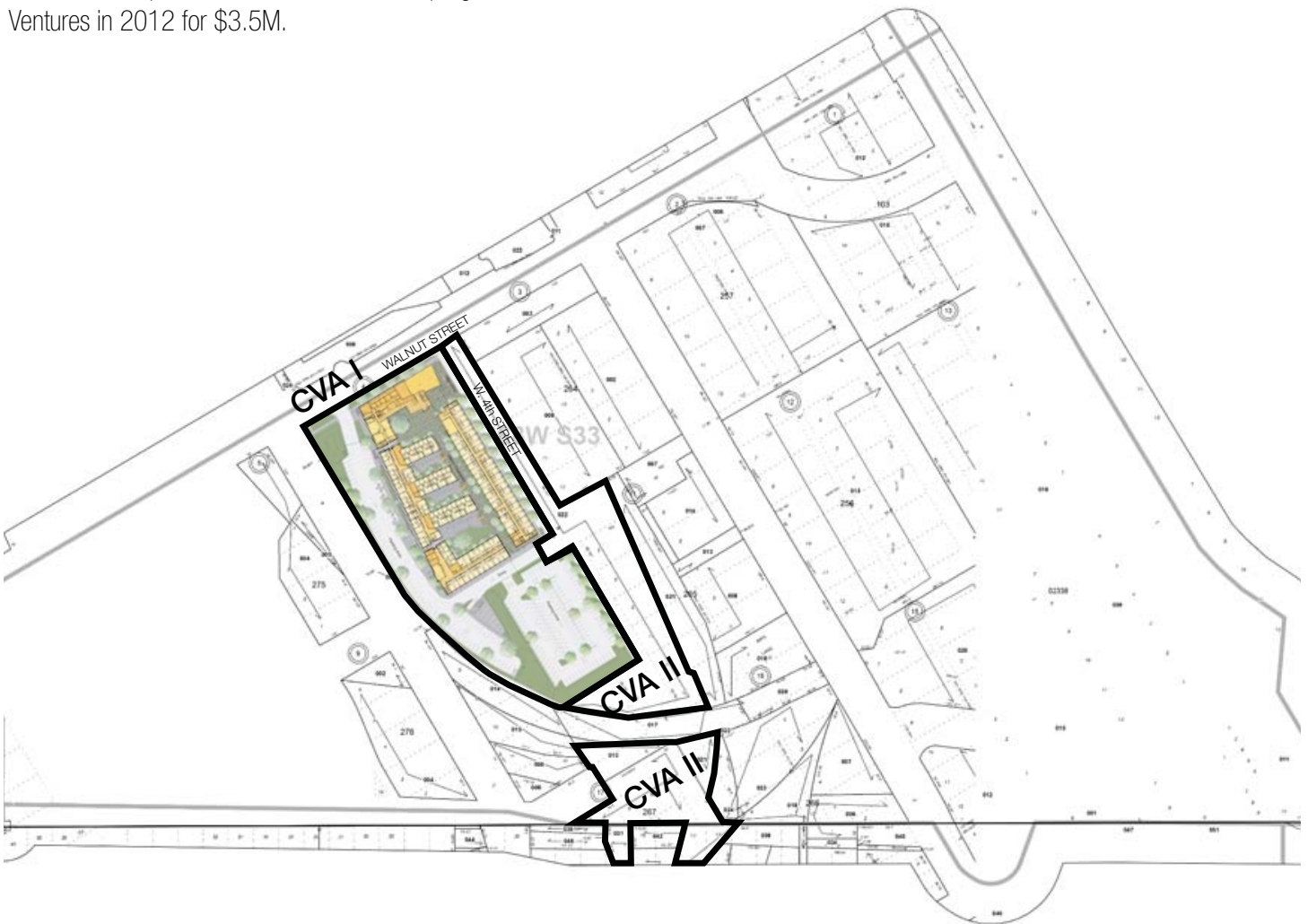
CVA management believes many students attending classes at Auraria may also live at the Marquis at the Parkway (the “Parkway”), a 460-unit apartment development built in 1980 approximately one mile from Auraria. The Parkway also provides shuttle service to Auraria.



III. CVA II Overview

The illustration below shows the location of the parcels currently identified as CVA II in relation to the CVA I property. The parcels that were originally purchased in 2006 for \$2.6M by a partnership formed between Urban Ventures and the CU Real Estate Foundation totaled 168,000 square feet. Each entity had a 50% ownership position. In April of 2011, 27,000 square feet were sold to RTD for \$1M and 6,000 square feet were granted to RTD in an easement, leaving the areas shown in the illustration below. CUREF purchased the 50% ownership rights from Urban Ventures in 2012 for \$3.5M.

The CVA II parcels presently owned by the CUREF and being transferred to CU Denver are a total of 137,595 square feet or 3.16 acres. One parcel includes a parking area that is used by Campus Village Apartments as overflow parking, and there is a parking license agreement between Campus Village Apartments, LLC. and CVA II, LLC. that governs the use of this parking area. Otherwise, the CVA II parcels are vacant, unused and not subject to any lease or operating agreements.



IV. Campus Village Acquisition

A. Purpose

i. Relationship to Strategic Plan

The acquisition of the land and improvements outlined in this program plan from the CU Real Estate Foundation align with the strategic goals of the University of Colorado Denver as outlined in Strategic Plan 2008-2020. Listed below are specific goals and objectives from that strategic plan that align with this project.

Goal 2.4 *Implement a comprehensive enrollment management strategy for the Downtown Campus*

Objective 2.4.1 *Increase the undergraduate student population to between 14,000 and 16,000 undergraduate students by 2020*

Objective 2.4.3 *Increase the percentage of undergraduate and graduate students who are full-time students*

Objective 2.4.4 *Increase international students until they comprise 10 percent of the overall student body*

Objective 2.4.5 *Increase domestic nonresident students until they comprise 15 percent of the overall student body*

The goals and objectives above all speak to a desire to grow enrollment in populations that are more likely to seek out traditional residential options- undergraduate, international, and domestic non-resident. Affordable options for these students to live near campus are few, and options that provide direct CU Denver student support are even fewer. Controlling Campus Village Apartments and the adjacent land will allow the university to interact more directly in the day to day management of the facility, which should provide for a better student experience in the current facility. Having the additional land will allow CU Denver additional opportunities to serve its students.

Goal 2.9 *Broaden the educational experience for students to improve student success*

Objective 2.9.2 *Create additional experiential learning opportunities for students*

Student housing advances the objectives listed above- experiential learning and expanding university traditions. CU Denver ownership will allow for greater university involvement in the student life aspects of the current housing facility, and will improve and expand learning opportunities that occur outside of the classroom for the residents. For many college students, bonds are formed and memories are made in their early years in a university residential environment. Housing not only creates community, but it makes students more likely to matriculate and graduate, and more likely to participate in the co-curricular and extra-curricular activities that have been expanded on the campus since the strategic plan was adopted.

Goal 7.2 *Invest in providing the infrastructure (services and facilities) necessary for a world-class learning and discovery environment for the benefit of our students, faculty, staff, and communities*

Objective 7.2.2 *Implement the CU Denver facilities capital plan to provide cost-effective, adaptable, maintainable, sustainable, and accessible facilities*

Objective 7.2.3 *Address all elements of the student experience at the university to improve the recruitment, graduation, and establishment of lasting connections to the university*

Objective 7.2.8 *Create a safe campus environment through implementing effective safety measures and campus safety training and technology*

Campus housing has been part of the university capital plan since 2004, when the partnership with CUREF was formed. This transaction allows the university to take the additional step in the fulfillment of that capital plan by assuming direct ownership of the facility and adjacent land. Direct university ownership will improve the student experience by removing confusion over the reporting structure and management, and will allow the university to leverage existing resources (IT infrastructure) and form new partnerships (Auraria Police).

ii. Management Benefits

CU Denver believes that ownership of CVA and a direct reporting relationship between CU Denver and the management partner for CVA will allow for the following:

- A better alignment between the university's recruitment, retention and academic goals and the housing operation.
- Some simplification of the billing and collection process
- Improve occupancy and renewal rates by developing residential academic programs that make residents truly feel like they are part of the university.
- Improve occupancy by integrating the marketing and branding of the facility with the overall branding and marketing efforts of the university.
- Better focus on increasing summer utilization of the facility.
- Achieve economies of scale by bringing support services into the university administrative structure.

iii. Ownership Benefits

Ownership of CVA and the surrounding vacant land is of great benefit to the university for the following reasons:

- Ownership incentivizes CU Denver to invest resources into the success of Campus Village apartments. The university is already considering some of the improvements recommended in the program review conducted in 2013.
- It allows CU Denver to leverage university resources directly, such as extending the IT network and IT support directly to the building, and indirectly such as using the university's considerable expertise in areas such as facilities operations.
- CU Denver acquires land directly adjacent to the campus. Very few, if any, vacant parcels exist on the edges of the campus and those that do are prohibitively expensive.
- It allows CU Denver to consider student housing demands and assess its student housing goals free from pressure to act quickly due to carrying costs or market pressures.

B. Property Information

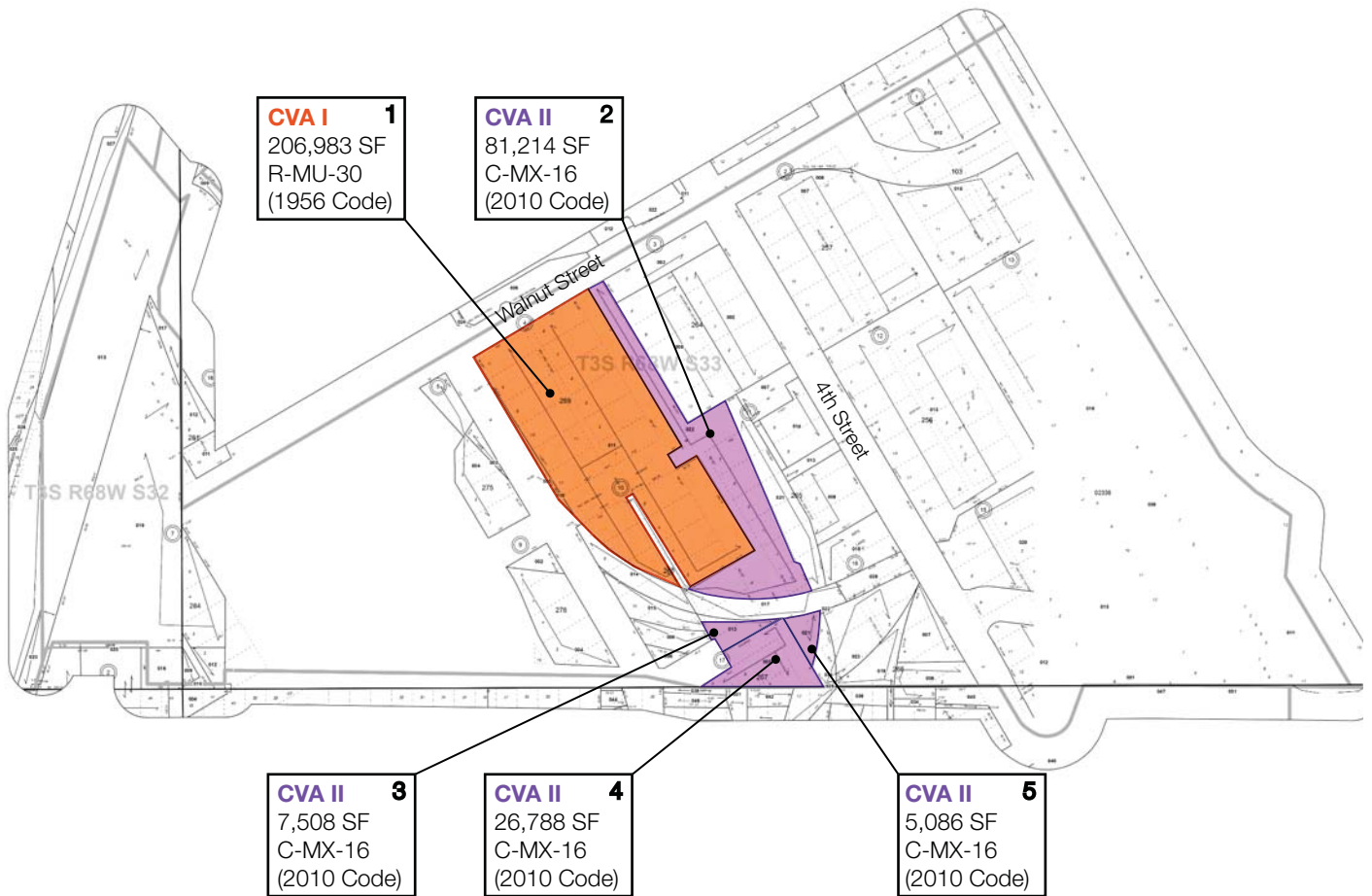
i. Parcel Overview

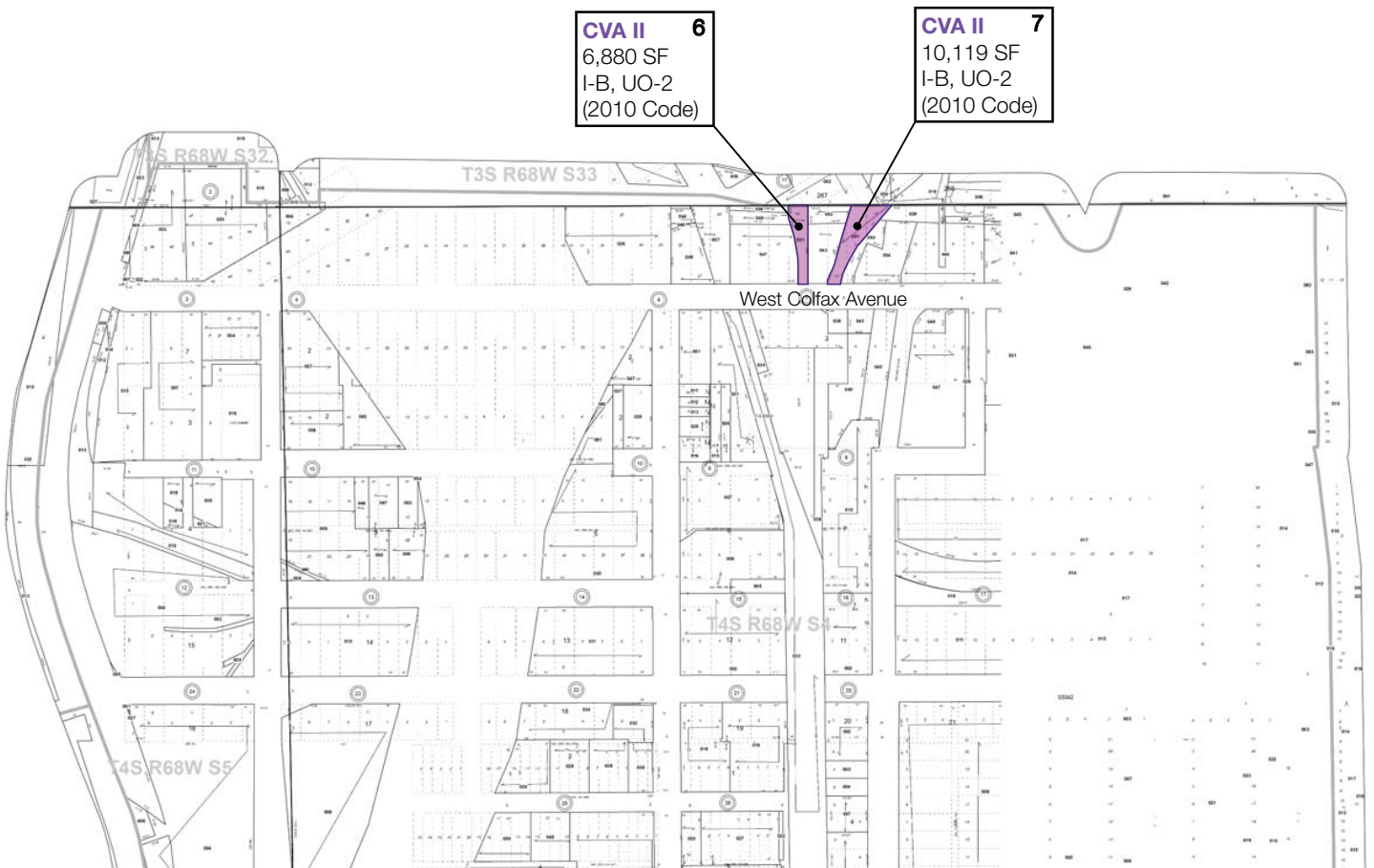
The graphics below show the parcels that will be transferred to CU Denver ownership. Each are identified by their acquisition affiliation (CVA, CVA II), and the square footage and zoning classification are listed for each. The parcel numbers in the graphic correspond to the numbers listed in the chart at right, which also lists the city schedule number for each parcel.

Purchase	Parcel Number	Schedule Number	SF
CVA	1	233804011000	206,983
		<i>Subtotal- SF</i>	<i>206,983</i>
		<i>Subtotal- Acres</i>	<i>4.75</i>

Purchase	Parcel Number	Schedule Number	SF
CVAII	2	233811022000	81,214
	3	233810013000	7,508
	4	233817002000	26,788
	5	233816021000	5,086
	6	504201031000	6,880
	7	504201051000	10,119
		<i>Subtotal- SF</i>	<i>137,595</i>
		<i>Subtotal- Acres</i>	<i>3.16</i>

TOTAL- SF 344,578
TOTAL- Acres 7.91





ii. Zoning

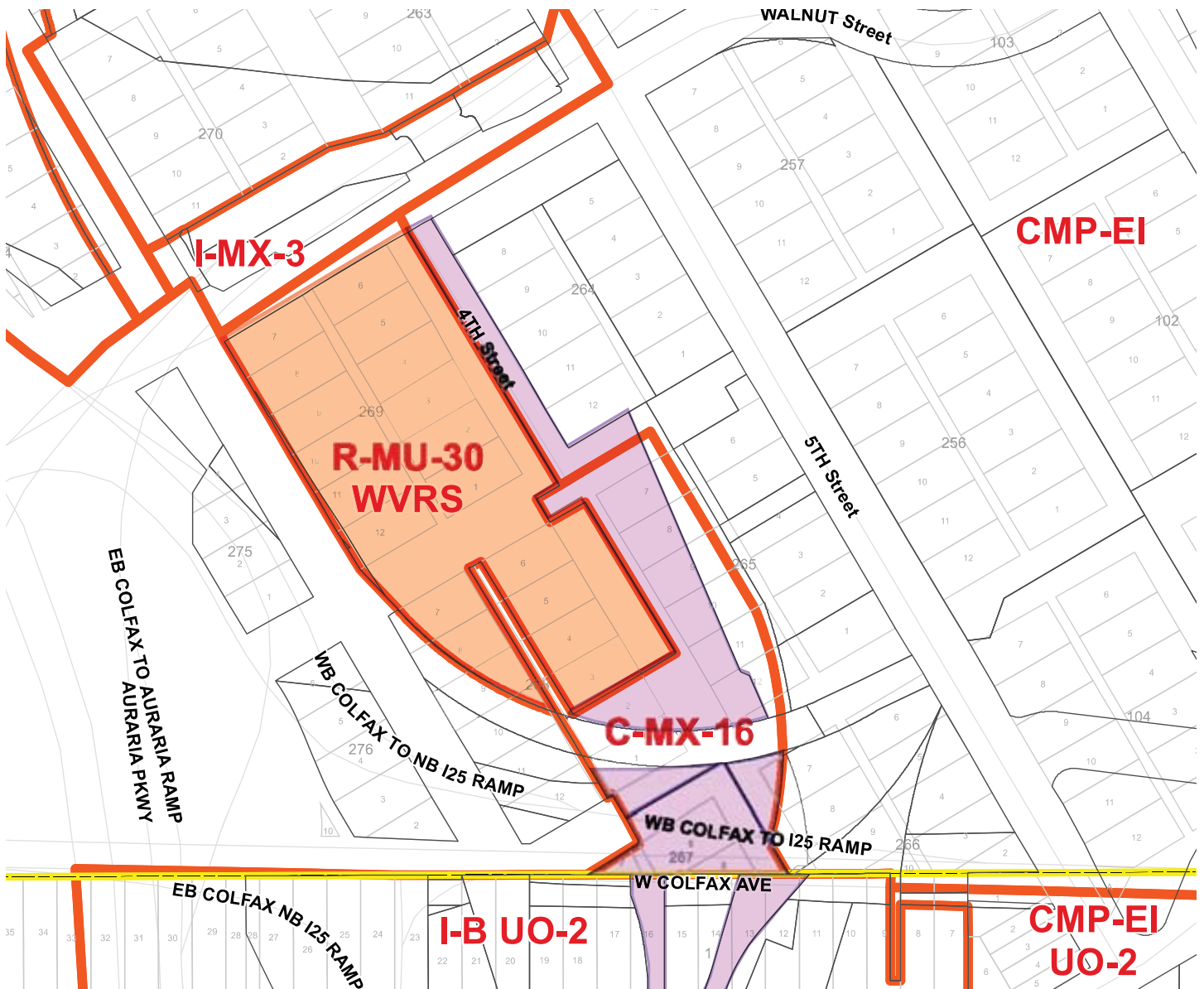
The zoning classifications for the CVA and CVA II parcels are shown in the illustration below.

Collectively, the parcels fall into three zoning classifications.

R-MU-30 (Parcel 1)

This zoning classification survives from the Chapter 59 City of Denver zoning code that dates back to 1956. It is entitled a Residential Mixed-Use District, and is defined as follows:

The R-MU-30 district is a primarily residential district allowing higher density multiple unit dwellings of a density appropriate to



the center-city and other activity centers such as light rail transit stations. Supporting commercial development, such as consumer retail and service uses and small-scale office uses, is encouraged to create a truly mixed-use environment. No maximum residential density is prescribed. Instead, maximum height, setbacks, and open space requirements determine the scale of buildings.

C-MX-16 (Parcels 2,3,4,5)

This zoning classification, part of the 2010 Denver Zoning Code, is a mixed use zone. Under the system used by the city, the “C” denotes an Urban Center, the “MX” identifies it as a mixed use zone, and the “16” notes a desired building height of between 3 and 16 stories. It generally applies to areas or intersections served by major arterial streets. The general purpose of the zone is described as follows:

A. The Mixed Use Zone Districts are intended to promote safe, active, and pedestrian-scaled, diverse areas through the use of town house, row house, apartment, and shopfront building forms that clearly define and activate the public street edge.

B. The Mixed Use Zone Districts are intended to enhance the convenience, ease and enjoyment of transit, walking, shopping and public gathering within and around the city's neighborhoods.

C. The Mixed Use Zone District standards are also intended to ensure new development contributes positively to established residential neighborhoods and character, and improves the transition between commercial development and adjacent residential neighborhoods.

D. Compared to the Main Street districts, the Mixed Use districts are focused on creating mixed, diverse neighborhoods. Where Main Street districts are applied to key corridors and retail streets within a neighborhood, the Mixed Use districts are intended for broader application at the neighborhood scale.

E. In the Urban Center Neighborhood Context, the Mixed Use Zone Districts require the same level of pedestrian enhancements as the Main Street Zone Districts. In the Urban Center Neighbor-hood Context, the primary difference between the Mixed Use Zone Districts and the Main Street Zone Districts is Main Street districts mandate shopfront buildings at the street edge.

F. Mixed use buildings have a shallow front setback range. The build-to requirements are high.

I-B, UO-2 (Parcels 6,7)

This classification also comes from the Denver zoning code adopted in 2010. The Letter “I” denotes an industrial zone, and includes the following general description:

The Industrial Context consists of areas of light industrial, warehouse and heavy industrial areas, as well as areas subject to transitions from industrial to mixed-use. The Industrial Context includes parts of the city where outdoor uses and activities are accommodated, with appropriate screening, including outdoor storage, heavy commercial services, and waste services. Forms are often tall single-story buildings or multi-story buildings with tall ceilings that accommodate industrial processes, loading bays, and specialized equipment. Industrial uses are primarily located along or in proximity to highway or arterial streets, and often include heavy rail access.

The letter “B” identifies the district as a General Industrial District, as defined below:

This district is intended to be an employment area containing industrial uses that are generally more intensive than uses permitted in the I-A Zone District. The overall purpose of the district is to promote industrial development and economic activity. No new residential uses may be established in the I-B Zone District in order to promote and continue a stable employment base for the city.

The “UO-2” notes that these parcels also lie within a special use district. The UO-2 special district is the Billboard Use Overlay District. As the name implies, this district exists to allow for the installation of billboards, or outdoor general advertising devices.

iii. Valuation

An appraisal of the land and improvements that are part of the transfer would be conducted during the transaction process, but below are the most recent known valuations for the CVA I and CVA II properties.

CVA I Property

A broker's opinion of value (BOV) was performed by ARA Newmark for the CVA I property and improvements in July of 2015. Their estimate of value was between \$55,800,000 and \$60,000,000.

CVA II Property

An appraisal was prepared in November of 2012 for the parcels that collectively comprise the CVA II property by the firm of Bowes and Company. Their opinion of value, which was based on the current state of the parcels as vacant land, was \$3,093,000.

C. Development Considerations

i. View Plane and Flood Zone

The graphic below shows the view plane and flood zone overlays that apply to the CVA and CVA II parcels that CU Denver will assume ownership of.

View Plane

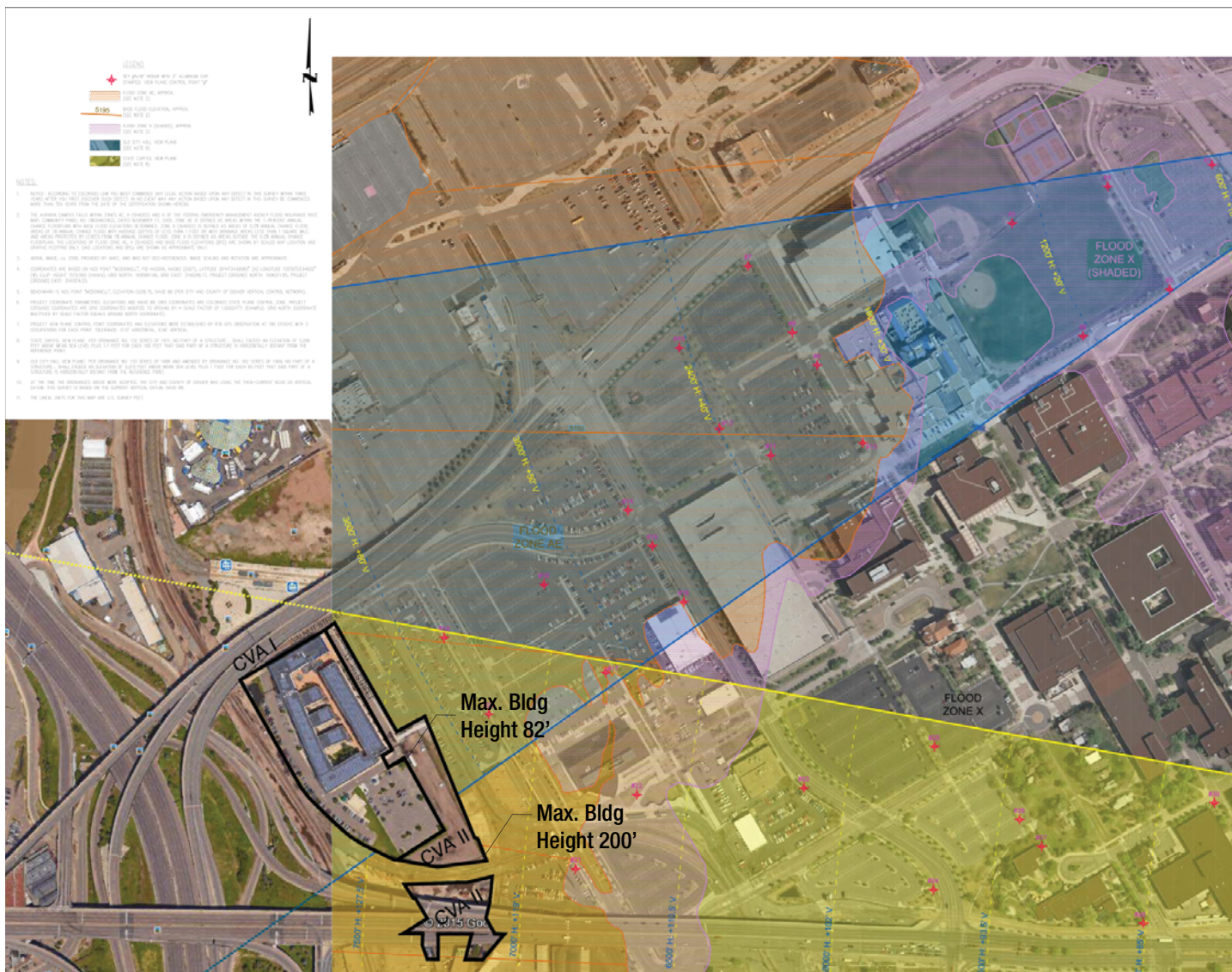
The CVA and CVA II parcels are affected by two City of Denver view planes- the Old City Hall view plane (shown in blue on the graphic) and the State Capitol view plane (shown in yellow on the attached graphic). Over a significant portion of the parcels, these two view planes overlap. Where that occurs, the more restrictive of the view planes (in this case the Old City Hall view plane) determines the maximum building height. As shown on the graphic below, maximum building height in the overlap area (governed by the Old City Hall view plane) is approximately 82'. Maximum building height in the area governed only by the State Capitol

view plane is approximately 200'. For reference, Campus Village Apartments at Auraria, which lies in the most restrictive area, is five stories at its highest point.

The two view planes are legally defined as follows:

Old City Hall View Plane -Per Ordinance No. 133 Series of 1998 and amended by Ordinance No. 302 Series of 1999, no part of a structure . . . shall exceed an elevation of 5,215 feet above mean sea level plus one foot for each 60 feet that said part of a structure is horizontally distant from the reference point.

State Capitol View Plane -Per Ordinance No. 132 Series of 1971, no part of a structure . . . shall exceed an elevation of 5,286 feet above mean sea level plus 1.7 feet for each 100 feet that said part of a structure is horizontally distant from the reference point.



Flood Zone

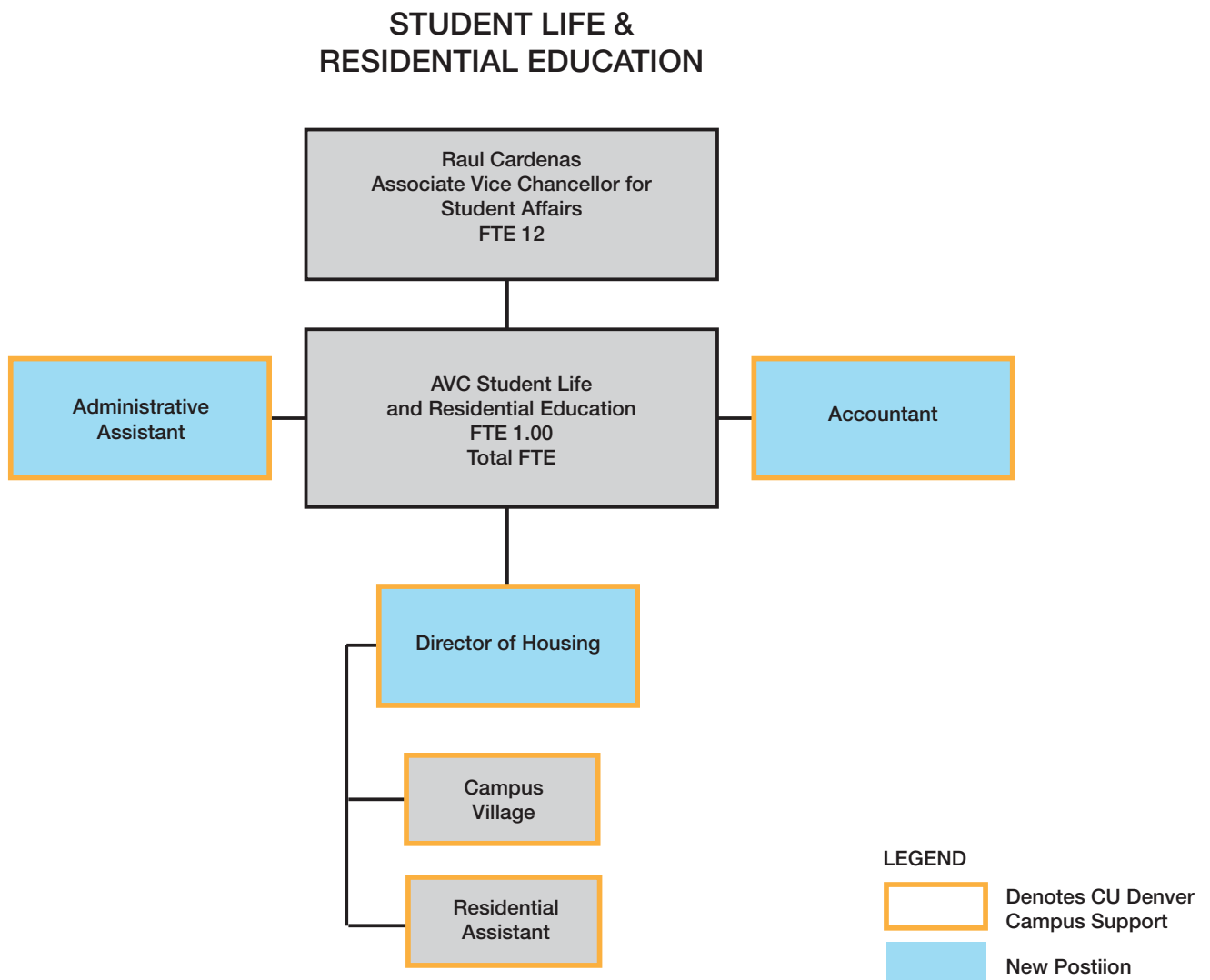
The CVA I and CVA II parcels lie within Flood Zone AE, which is defined as areas with 1% annual chance of flood. For properties that fall within this zone, the approximate base flood elevation is 5,192. An exact base flood elevation would need to be determined if/when development is undertaken on any of the vacant land.

D. Management and Operations Plan

The University of Colorado Denver intends to generally apply a similar management structure for Campus Village following the transfer of ownership. The university intends to competitively bid the management contract within two years of the close of the sale, but plans to continue to contract with a firm to manage, supervise, and lease the facilities. This contract will include the management of subcontracts with vendors, including the dining services vendor. Below is an organizational chart illustrating the reporting structure

that CU Denver proposes to use. As indicated, the Director of Housing, Accountant and Administrative positions would be new positions. The remainder of the positions already exist or would be filled by persons already employed by the university. The 2013 CVA audit made several recommendations/observations about the current management and level of service in the building.

1. The audit recommended that the university explore an agreement with the Auraria Campus Police to respond to all incidents that occur in CVA, as their response time is much better than the Denver Police Department (currently the principal responder with Auraria providing secondary support). The



university is in discussions with the Auraria Police regarding this recommendation.

2. The audit report also noted the general lack of satisfaction with wireless network service in CVA. The university intends to extend its IT network to the CVA building, which should improve wireless service.

At present, there is no CU Denver residency requirement in place for Campus Village Apartments at Auraria.

E. CVA Improvements

The university intends to contract with a third party to undertake a full facilities condition assessment of the CVA complex to assess the current state of the facility. This process is currently underway. It should be noted, however, that a facilities, management and operations audit of CVA conducted in 2013 did not identify any major capital needs for the facility. Should any unforeseen major capital items arise in the near future, the university has access to the building replacement fund. The current balance of that fund is approximately \$1,126,212.

F. Financial Model and Assumptions

i. Objective and Methodology

CU Denver Budget and Finance coordinated closely with CUREF staff, the CU Denver Office of Student Affairs, and staff from EdR to gain solid information about the operational function and cost of the housing facility. In addition, the University of Colorado Treasurer's Office was consulted about the financing of the acquisition.

The CU Denver financial analysis includes a thirty-year pro forma showing all revenues, expenses, net operating income, debt service payments, and cash flow.

ii. Budget Components

CU Denver Budget and Finance developed a detailed budget that outlines the overall cost for funding the proposed project with an anticipated transfer date of January 2016. The total principal due on the project is estimated at \$49,770,000. The capital budget assumes a contribution of \$5,164,622 from CUREF reserves, the ownership of which transfers to CU Denver with the properties.

The total project costs include the following:

1. New CU Denver salaries and benefits
2. Management contract services, which includes administrative staff, general operating, dining contract, student amenities, room turnover investments, life safety as needed maintenance, and a management fee.
3. Annual debt service including principal and interest

Although the following costs will remain in the EdR contract through FY 2015-16, these items are expected to be removed from the contract and brought into central administration of the university for efficiency purposes:

4. Marketing
5. Maintenance
6. Custodial
7. Grounds and snow removal
8. Utilities (5% growth rate)
9. Security (will use the CU Denver security company, Whelan)

The following costs were added that did not exist under the CUREF structure:

10. General Administrative Recharge (6% of net revenue) to pay for the support of central administration at CU Denver. It will start being applied in FY 2016-17. Eliminating the CUREF fees (similar to GAR) offsets this increase.
11. Auraria Police Contract so that the students receive the same services as on the rest of the campus. Currently the properties are patrolled by Denver Police.

The following costs were changed:

12. The cost of insurance could be eliminated because the University of Colorado insures as a whole and one building does not create an additional allocation to CU Denver.
13. Dedicated maintenance staff were reduced
14. Eliminated fitness center costs due to the new Wellness Center.
15. Reduced snow removal based on current CU Denver contract.
16. Audit fees and legal fees were eliminated as CVA would be absorbed into the university's financials.
17. Bank charges were eliminated.
18. The CUREF revenue fee was eliminated.

iii. Financing

As mentioned above, CU Denver worked with CU System Treasury to explore financing options that would meet the campus' needs. It was determined that it would be most beneficial to have some near-term flexibility, because financing the building in the bond market would prohibit CU Denver from selling or refinancing the building for seven to ten years.

CU Denver is 100% committed to a long term solution for university-owned housing on or adjacent to the Auraria Campus. CU Treasury has offered a line of credit for the entire cost of the Facility *to allow sufficient time to coordinate the transfer of property, defeasance of CUREF debt, transfer of reserves and future refinance.* CU Denver intends to remove this obligation from the CU Treasury within the near-term.

CAMPUS VILLAGE APARTMENTS ACQUISITION

CU Denver has applied the same financing assumptions to the CU Treasury line of credit as would have been applied to the bond market. The same up front contribution was applied (\$5,164,622 from CUREF reserves), the same interest rates, and the same debt schedule as CU Treasury provided for the bond market. This model does not simply finance the remaining years on the CVA debt, but rather is for a full 30 year period. Note that the positive current financing market creates approximately \$3.5 million in net present value savings from the current CUREF financing model, even after adding those years. To cover the obligation of the \$49,770,000 acquisition, CU Denver has estimated the following revenue and expenses:

However, the table below shows that the revenue estimated to be generated by CVA does not fully cover a 1.25 debt coverage ratio. Therefore, CU Denver is committing \$1,000,000 from its own reserves in order to establish a debt ratio shortfall reserve until FY 20-21 when enough operating cash flow has accumulated. At that time, the original reserve will be repaid to the Campus. Once the \$1,000,000 reserve has been established, it will be maintained until the facility has been paid off. Any additional cash flow after that point will be added to the \$1.1 million deferred maintenance reserve to act as a safety valve should projected shortfall be worse than expected in future years.

DRAFT	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Revenues	\$6,130,990	\$6,410,208	\$6,698,267	\$6,995,264	\$7,135,417	\$7,278,373	\$7,424,188	\$7,572,919
Total Operating Expenses	\$3,003,863	\$3,099,758	\$3,199,003	\$3,301,710	\$3,398,043	\$3,497,696	\$3,600,794	\$3,707,465
Net Revenue	\$3,127,127	\$3,310,450	\$3,499,264	\$3,693,554	\$3,737,374	\$3,780,676	\$3,823,394	\$3,865,455
Less Total Debt Service	\$3,257,700	\$3,260,800	\$3,259,850	\$3,259,250	\$3,262,250	\$3,259,000	\$3,258,500	\$3,260,500
<i>Principal</i>	<i>\$845,000</i>	<i>\$865,000</i>	<i>\$890,000</i>	<i>\$925,000</i>	<i>\$965,000</i>	<i>\$1,010,000</i>	<i>\$1,060,000</i>	<i>\$1,115,000</i>
<i>Interest</i>	<i>\$2,412,700</i>	<i>\$2,395,800</i>	<i>\$2,369,850</i>	<i>\$2,334,250</i>	<i>\$2,297,250</i>	<i>\$2,249,000</i>	<i>\$2,198,500</i>	<i>\$2,145,500</i>
Final Cash Flow	(\$130,573)	\$49,650	\$239,414	\$434,304	\$475,124	\$521,676	\$564,894	\$604,955
Debt Service Coverage Ratio	0.96	1.02	1.07	1.13	1.15	1.16	1.17	1.19
Shortfall to 1.25 Ratio	(\$944,998)	(\$765,550)	(\$575,549)	(\$380,509)	(\$340,439)	(\$293,074)	(\$249,731)	(\$210,170)

iv. Deferred Maintenance Reserve

A reserve of \$1,126,212 exists from CUREF's maintenance operating budget deposits into a savings account. This reserve was intended to deal with major maintenance issues should they arise. Since the \$5.1 million reserve will be eliminated through the financing, CU Denver plans to maintain this \$1.1 million deferred maintenance reserve for that purpose. The building will need increasing attention over time. The operating budget includes an ongoing allocation of \$240,000 that will continue to be applied to deferred maintenance on an annual basis. What is not used in a given year may be added to the reserve.

v. Occupancy

The following table shows the current year impact of lifting the residency requirement compared to the estimated occupancy of prior years.

Typically, CUREF computes a maximum revenue rather than a headcount occupancy rate, because room types have different prices and are constantly in flux. CU Denver has estimated maximum revenue occupancy and used the actual reduced occupancy rate that CVA experienced this fall after removal of the freshman rule, as a base. From there, maximum revenue occupancy was increased evenly each year from FY 2016-17 through FY 2019-20 because the campus will implement recruitment and retention programs to combat some of the loss of the residency requirement.

FY 2015-16 Actual Room Occupancy			
Room Type	Estimated Actual Beds	Budgeted Occupied Beds (including staff and model beds)	Estimated Occupied Beds (as of October 2015)
1X1	74	68	70
2X1	1,464	1,242	1,222
2X2	3,864	3,110	2,466
3X1	33	30	25
3X2	396	322	251
4X2	2,112	1,774	1,741
STUDIO	420	384	369
All Beds	8,363	6,930	6,144
Occupancy Rate		82.9%	73.5%

Maximum Revenue Estimated Occupancy		
Term	FY 2015-16 Percent of Maximum Revenue	FY 2019 - 20 Percent of Maximum Revenue
Fall (actual for 2015)	87.6%	98.2%
Spring	86.7%	96.5%
Summer	10.2%	11.6%

vi. New CU Denver Salaries and Benefits

As mentioned on the previous page, a few new positions will be required within the Office of Student Affairs to ensure the success of this endeavor. Those resources are reflected in the table below.

In FY 15-16, the Chancellor will provide one time funds to cover these costs. In FY 16-17, they are covered in the pro forma provided at the beginning of this section.

vii. Contracting

CU Denver intends to develop a memorandum of understanding to delegate oversight functions of EdR to CUREF until June 30, 2016. Effective for FY 16-17, CU Denver intends to continue to contract with EdR until it gains operational experience. The FY 16-17 contract will be between CU Denver and EdR. However operational components that can be integrated into the university (such as snow removal, maintenance, security) will be removed. In one to two years, under guidance from the CU System Office of Procurement, CU Denver will put the management contract component out to competitive bid.

Proposed New CU Denver Staff					
New Positions	FTE	Base Salary	Benefits	Total Comp	Hire Date
Financial Reporting Accountant	1	\$58,000	\$17,400	\$75,400	1/1/2016
AVC- Housing	0.125	\$15,000	\$4,500	\$19,500	3/1/2016
Director of Housing	1	\$80,000	\$24,000	\$104,000	4/1/2016
Administrative Assistant	1	\$45,000	\$13,500	\$58,500	4/1/2016
Totals	3	\$198,000	\$59,400	\$257,400	

viii. Financials Summary

The following assumptions summarize the current plan for the financing of property operations and the payment of the debt should it become the responsibility of CU Denver. This plan may still be revised as the operational plan is fully developed.

- CU Denver would use the \$5,164,622 reserve as a cash payment to reduce the debt.
- CU Denver would maintain the \$1,126,212 deferred maintenance reserve for its intended purpose.
- Due to a potential decline in occupancy due to the absence of the freshman residency, annual occupancy requirement rates for the first five years are set at Fall (84%), Spring (83.1%), and Summer (6.6%) of maximum occupancy, after staff beds.
- Starting in FY 19-20, annual occupancy rates are set at historic Fall (94.6%), Spring (92.9%), and Summer (8%) of maximum occupancy, after staff beds.
- Room rates are held flat for FY 16-17, and are estimated to increase by 2% annually beginning in FY 17-18. (Actual rates increases will be approved by the Regents are expected to differ).
- All other revenues increase by 2% annually beginning in FY 16-17. Actual revenue increase is not yet known.
- All salary and most operating expenses are estimated to increase by 3% annually.
- The salaries and benefits for new CU Denver positions are fully included as of FY 2016-17.
- GAR is set at 6% but may be delayed a few years until occupancy under a new owner stabilizes.

G. Terms of Transfer

Ownership of the land and improvements described in this program plan will be transferred to CU Denver without any compensation paid to the CU Real Estate Foundation.

H. Schedule

The following steps are anticipated before the transfer of ownership and closing can occur.

October 28, 2015 Program plan presented to CU Board of Regents Capital Subcommittee

November 5-6, 2015 Pending Capital Subcommittee Approval, Program Plan presented to full Board of Regents

November 17, 2015 Pending Board of Regents approval, amended CU Denver cash projects request including CVA transfer presented to Capital Development Committee for approval

February, 2016 Debt Issuance for CU Denver ownership of land and improvements

TBD Closing/Ownership transfer of land and improvements. Date based on when debt is issued. This will occur no later than June 30, 2016.

I. Alternatives

One alternative exists to the transfer of the CVA building and CVA land to the University of Colorado Denver.

i. Alternative 1 - CU Denver withdrawal from CVA involvement

One option available to CU Denver would be to withdraw from involvement in CVA and the adjacent land altogether. This scenario implies that the foundation would likely sell the assets to a private party, and CU Denver would either withdraw from student housing altogether, or seek to develop a housing project elsewhere or partner with another entity on a project in another location. For reasons well documented in the university's strategic plan and in this program plan, CU Denver is very interested in having direct involvement in student housing as an extension of its mission and goals and as a means to grow non-resident, undergraduate and international enrollment and improve student retention. No involvement in housing is not an acceptable course for the university. Likewise, the market is such that finding a housing opportunity that is financially feasible, in close proximity to the campus and where CU Denver could exert a similar measure of control is difficult to imagine.

V. Appendices

A. Third Party Review



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Stuart B. Crawford, AIA, LEED AP
Senior Design Architect

27 October 2015

Mr. Cary Weatherford
Associate Director – Office of Institutional Planning
University of Colorado Denver

Re: Campus Village Apartments Acquisition Program Plan

Dear Cary,

We have reviewed the Program Planning document for the Campus Village Apartments Acquisition prepared by the Office of Institutional Planning, CU Denver dated October 29, 2015. It is our opinion that the Program Plan is thoughtful and well executed.

The terms and justification of CU Denver's purchase of CVA and the adjacent 3.16 acre undeveloped parcel from the CU Real Estate Foundation (CUREF) for \$49,770,000 in the spring of 2016 will serve the long term interests of the University. In addition, the University will have access to the building replacement fund with a current balance of approximately \$1,126,212. The financial model and assumptions are well presented in Section F beginning on Page 28.

On Page 27, the document indicates that the university intends to contract with a third party to undertake a full facilities condition assessment of the CVA complex to assess the current state of the facility. Since this remains to be done, our peer review of the Program Plan does not extend to this scope. Please note that considering the extent of kitchen and kitchenettes within the facility, an assessment and determination of life-span of the appliances should be included.

Further, in consideration of the 3.16 acre parcel which was formerly an industrial site, it might be worthwhile to undertake an investigation of the sub-surface conditions.

As a third party reviewer, we believe the Program Plan is well conceived and thorough while addressing the housing goals of the University of Colorado Denver.

Sincerely,

Stuart B. Crawford, AIA, LEED AP
Senior Design Architect

CC: Mary Morissette, Page
John Littlejohn, Page

PREPARED BY THE OFFICE OF INSTITUTIONAL PLANNING

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