



ILLINOIS STATE
UNIVERSITY

Illinois' first public university.

P-3's In Illinois

David Gill

Director of Facilities Planning &
Construction Management
Illinois State University
dmgill2@ilstu.edu

2020 ILAPPA CONFERENCE

March 11 & 12, 2020
Illinois State University



Agenda

- P-3 Definitions
- P-3's at Public Universities In Illinois
- About Illinois State University
- ISU's Past P-3 Project
- ISU's Current P-3 Project

P-3 Definitions – Public Private Partnerships

What is a P-3 Project?



Is it this?



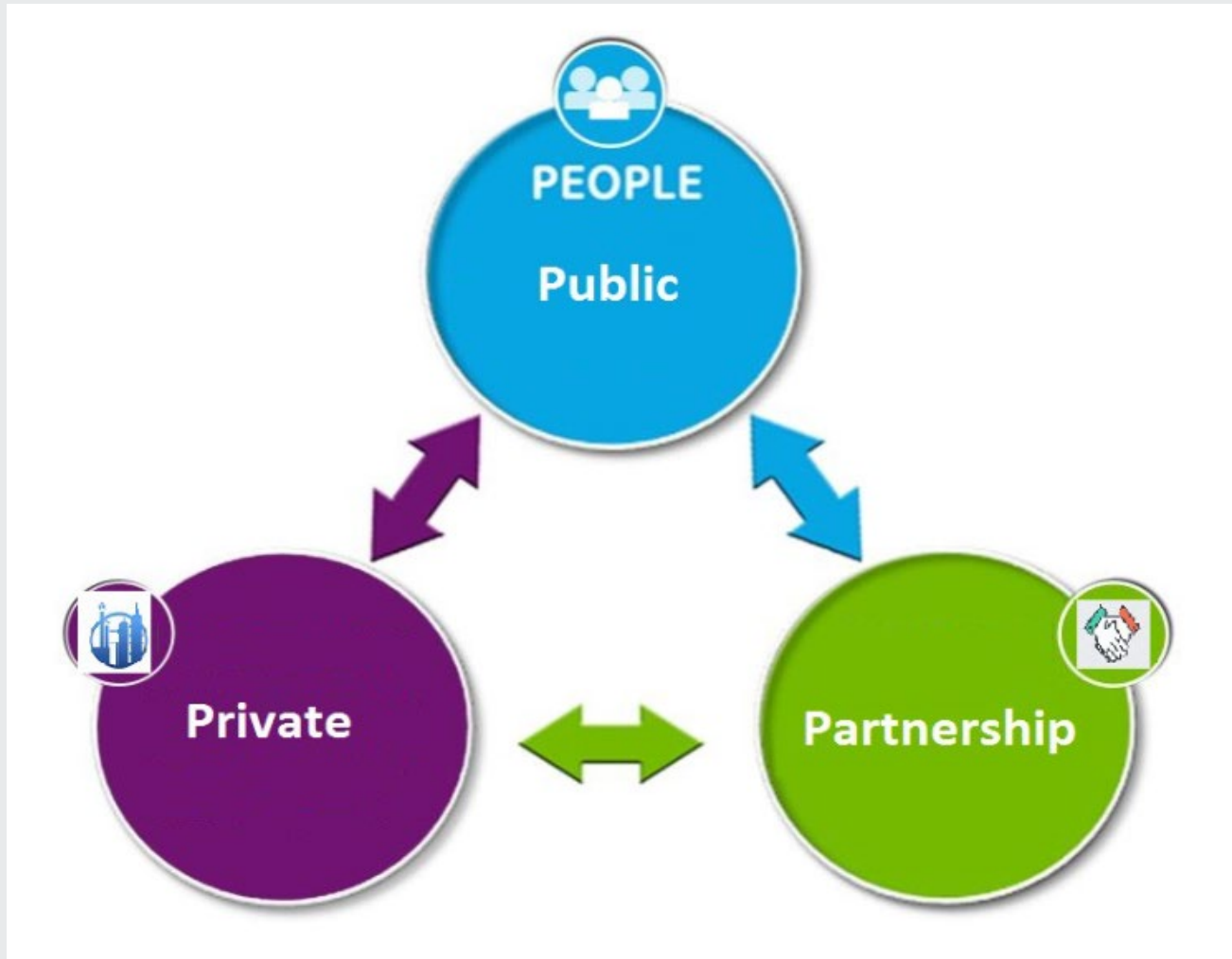
Or is it this?

P-3 Definitions – Public Private Partnerships

What is a P-3 Project?

- The word Public means “of or provided by the state rather than an independent, commercial company.”
- The word Private means “(of a service or industry) provided or owned by an individual or an independent, commercial company rather than the state.”
- Finally, the word Partnership means “an arrangement” in which parties agree to cooperate to advance their mutual interests – usually a planned capital project or improvement, funded by the Private entity for use by the Public entity, in exchange for regular payments by the Public entity for a specified length of time. This is similar to the structure for a residential mortgage.

P-3 Definitions – Public Private Partnerships



Why is a P-3 Project desirable?

- They provide **better** infrastructure **solutions** than an initiative that is wholly public or wholly private. Each participant does what it does best.
- They result in **faster** project **completions** and reduced delays on infrastructure projects by including time-to-completion as a measure of performance and therefore of profit.
- A public-private partnership's return on investment, or **ROI**, might be **greater** than projects with traditional, all-private or all-government fulfillment. Innovative design and financing approaches become available when the two entities work together.

P-3 Definitions – Public Private Partnerships

Why is a P-3 Project desirable?

- Risks are fully appraised early on to determine project feasibility. In this sense, the private partner can serve as a **check against unrealistic** government **expectations**.
- The project execution **risks** are transferred from the government to the private participant, which usually has more experience in **cost containment**.
- By increasing the efficiency and effectiveness of the government's investment, it allows government funds to be redirected to other important strategic priorities. In summary it allows the government to **afford** a necessary strategic priority **without** all the necessary **capital**. This is again similar to the use of a mortgage to purchase a home without having saved the total purchase price and using a mortgage to finance the ownership over time.
- The **greater efficiency** of PPPs reduces government budgets and budget deficits.

P-3 Definitions – Public Private Partnerships

Why is a P-3 Project **not** desirable?

- Every public-private partnership involves risks for the private participant, who reasonably expects to be compensated for accepting those risks. Amortizing these risks in the project will **increase** government/public **costs** over self-funded projects.
- Every public-private partnership involves **financial risks** for the public participant, who must guarantee the revenue stream for the duration of the project. This is often as long as 20, 30, 40 years, or longer. Due to the length of time of construction, financing rates can increase thereby reducing the viability and desirability of the project to the government/public entity.
- When there are only a limited number of private entities that have the capability to complete a project, the limited number of private participants that are big enough to take on these tasks on might **limit** the **competitiveness** required for cost-effective partnering.

P-3 Definitions – Public Private Partnerships

Why is a P-3 Project **not** desirable?

- Private profits of the projects can vary depending on the assumed risk, the level of competition, and the complexity and scope of the project, often increasing project costs. Increased project costs **reduce** the **viability** and desirability of the project to the government/public entity.
- If the expertise in the partnership lies heavily on the private side, the government is at an inherent disadvantage. For example, it might be unable to accurately assess the proposed costs or manage the construction process. Poorly managed projects can result in significant **cost overruns** and **schedule delays**, ultimately compromising the project viability and intent.
- This project will form a long time relationship between the public and private entities. If the project doesn't start off well or gets off the rails during construction, you will be locked into that **relationship** for a long time, or go through a very painful **divorce** in court.

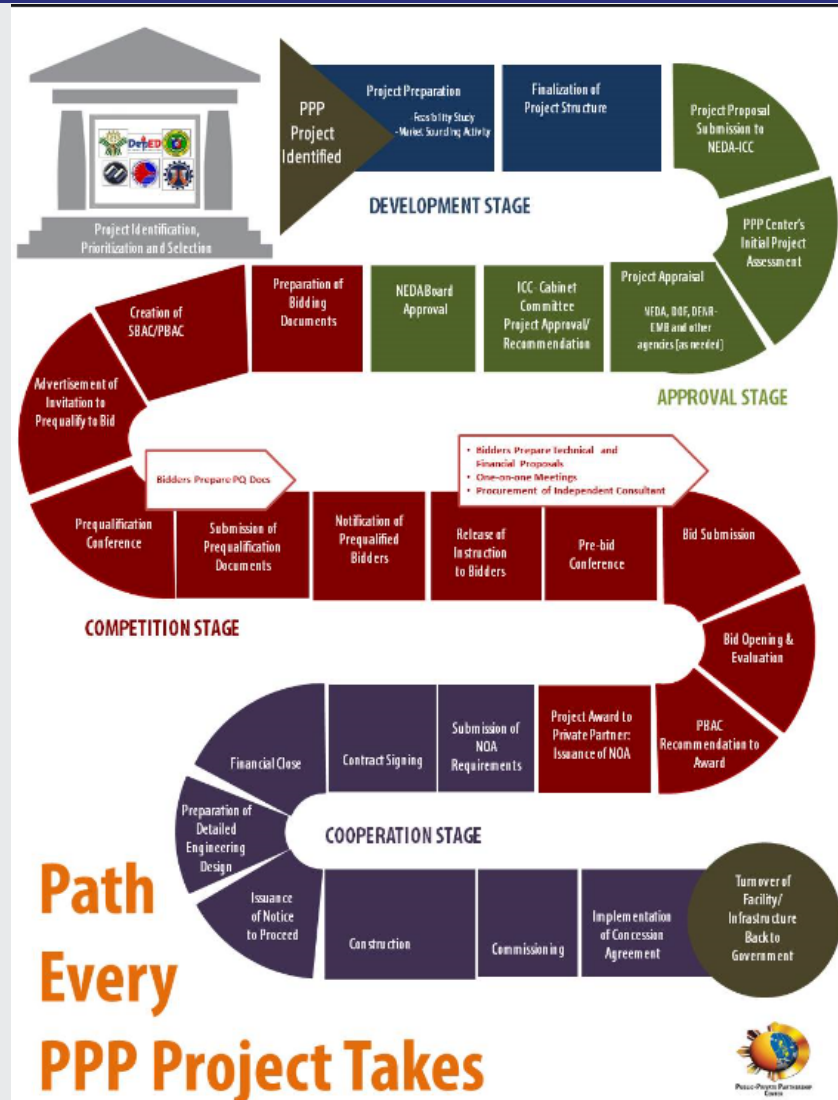
P-3 Definitions – Public Private Partnerships

What are the key P-3 success measures?

- Public and Private commitment to a strong partnership and relationship beyond the terms of the contract.
 - Needs to be a “**Win-Win**”, proposition, not a “Win-Lose” proposition
 - Iron-clad oppressive contracts will result in adversarial “Win-Lose” relationship
 - **Communication channels** need to be open, clear and non-political
 - Team formation and **teamwork** maintenance is very important
- Built-in mechanisms to share perspectives about the project, especially problems and concerns.
 - **Share** typically unspoken perceptions to defuse flare-ups
 - Present, discuss and **analyze problems** quickly for resolution before rushing to judgement
- Effective ways to rebound from failures and still reach agreed upon project deliverables.
 - Agree on **problem resolution** methodology early in process
 - **Admit failures** when they occur
 - **Move quickly to resolve** problems without assigning blame

P-3 Definitions – Public Private Partnerships

What is the P-3 process?



P-3's at Public Universities in Illinois

Illinois Procurement Code

In the state of Illinois, the Illinois Procurement Code does limit leasing arrangements between public institutions and the private sector to **a maximum of a 10-year term** with the ability to pay off the agreement after 5 years. This term limit poses an obstacle to P3 arrangements, since most Public Universities require more than 10 years to pay back the project financing.

Illinois Financing Authority

There is one avenue that gives Public Universities in the state of Illinois the ability to enter a long term P3 arrangement called **a concession**. The key to a concession agreement in the state of Illinois is that a Public College or **University borrows money through a Tax Exempt 501c3 from the Illinois Finance Authority**. This mechanism allows the duration of the property leaseback to be at the discretion of the Public University, **superseding the 10-year term restriction** of the Illinois Procurement Code.

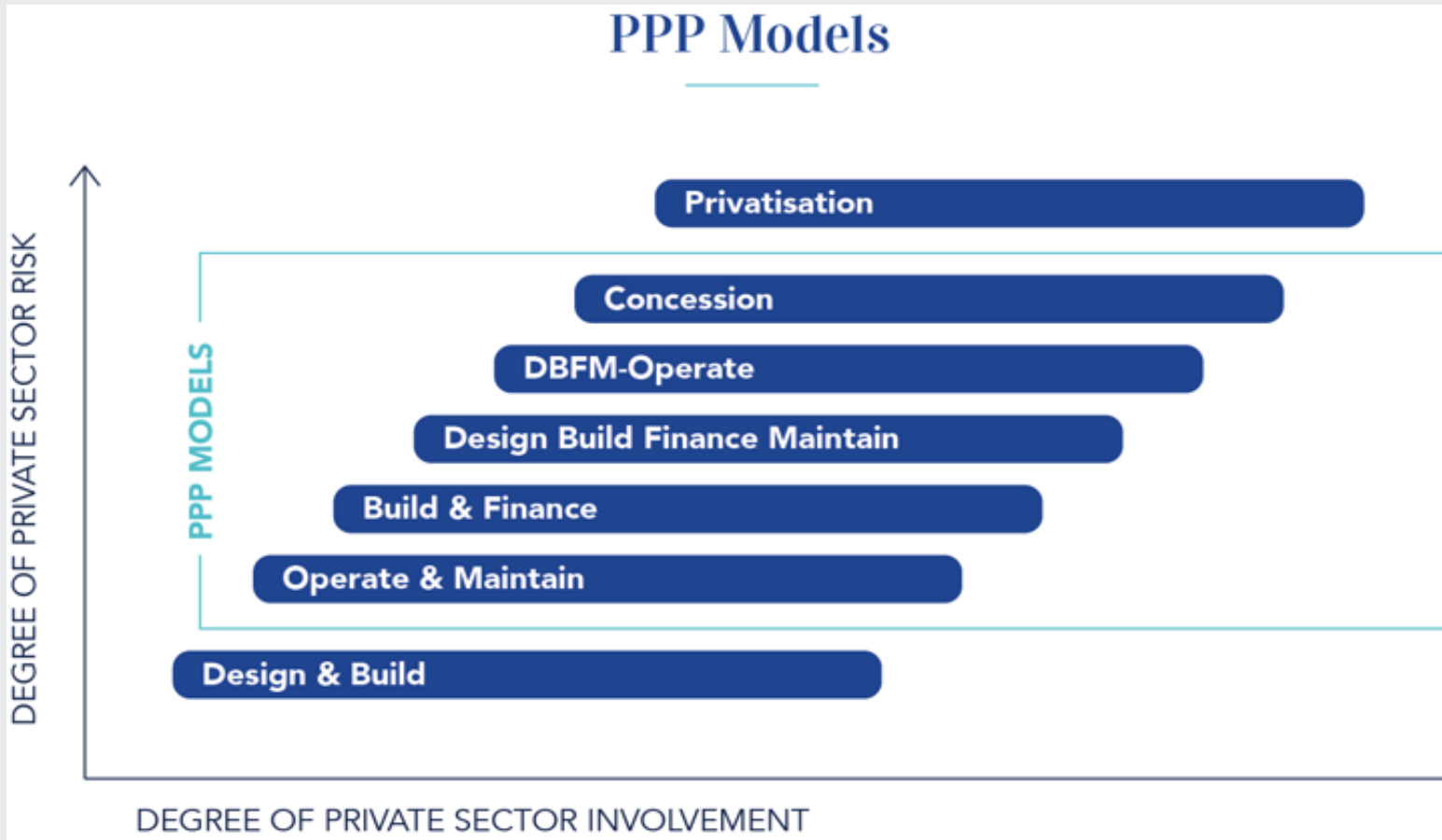
P-3's at Public Universities in Illinois

Tax Exempt P3's

There are **two types of tax exempt 501c3's** that a University may use to accomplish this kind of P3 financing; either a **University sponsored 501c3** (also known as a **Foundation**) or a **non-affiliated 501c3**. The difference in this choice is typically speed of delivery. A University sponsored 501c3 will generally take longer to get a letter of tax exempt status from the IRS than a pre-approved, non-affiliated 501c3. If the University chooses a non-affiliated 501c3, the Development teams will typically partner with one of the well-known 501c3 entities specializing in public private partnerships.

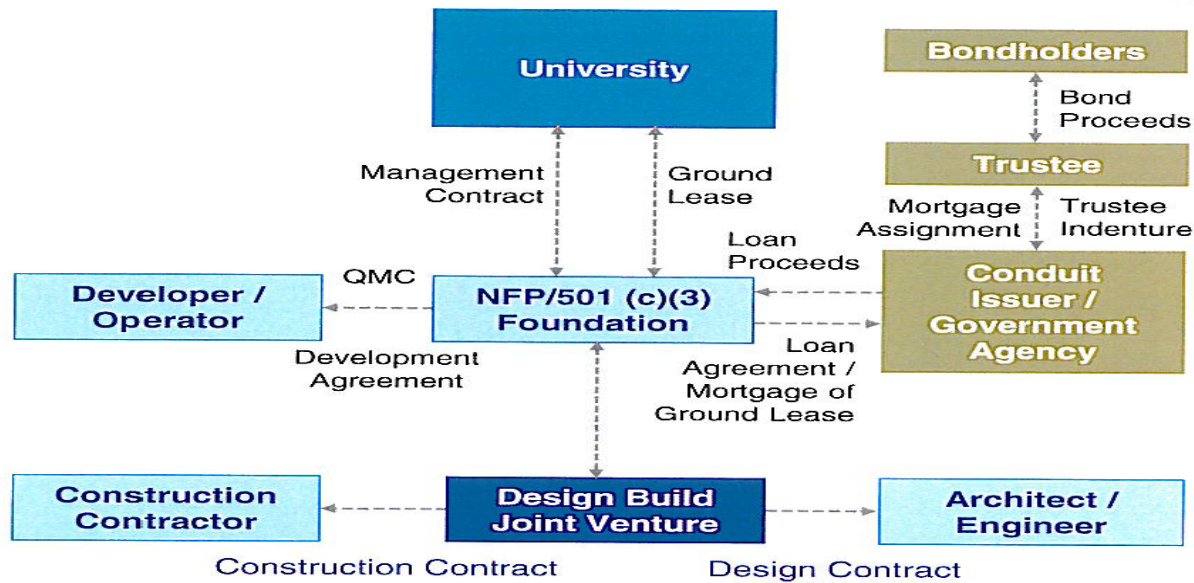
P-3's at Public Universities in Illinois

What are the P-3 Project forms?



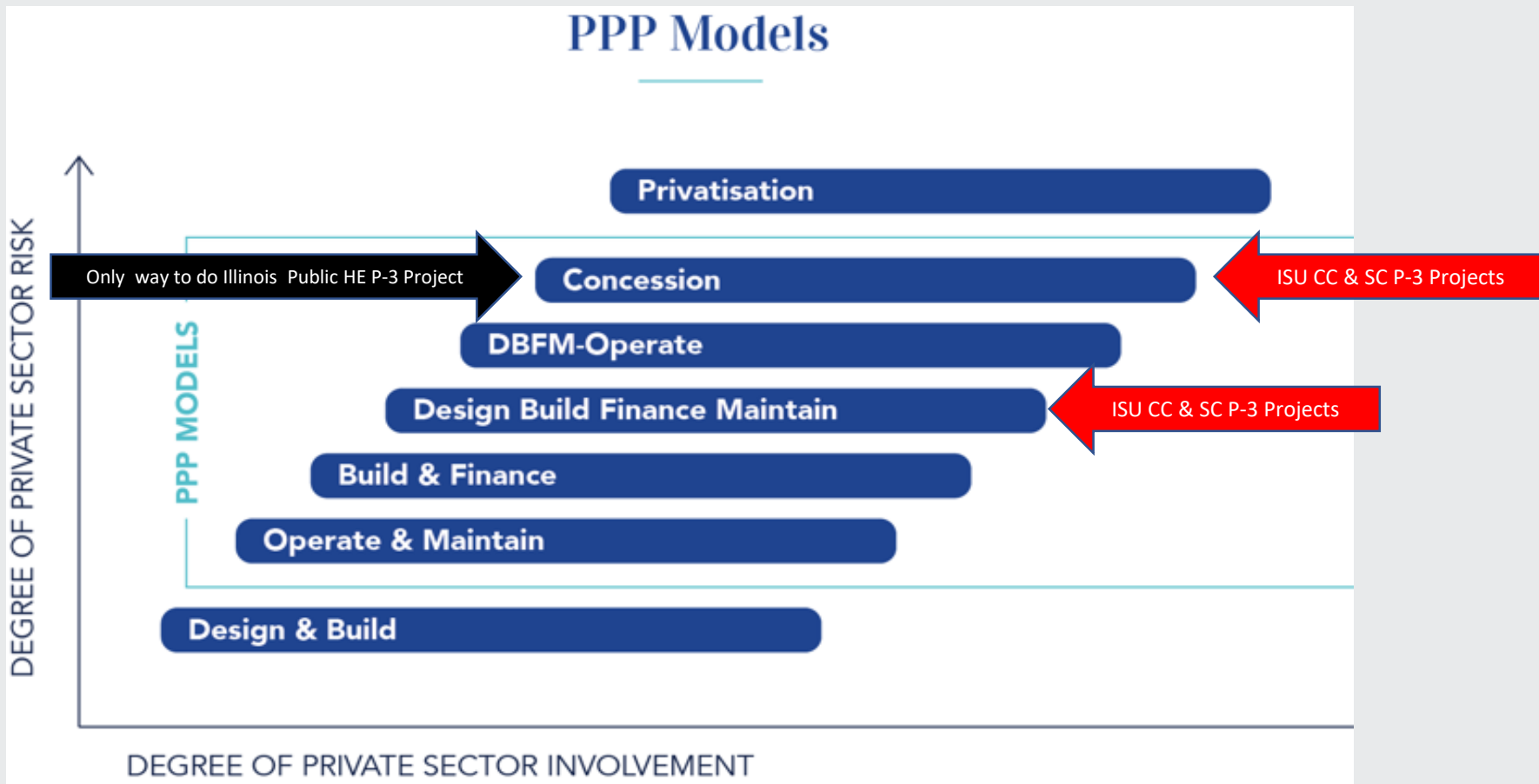
P-3's at Public Universities in Illinois

Non-Profit 501c3 Model



P-3's at Public Universities in Illinois

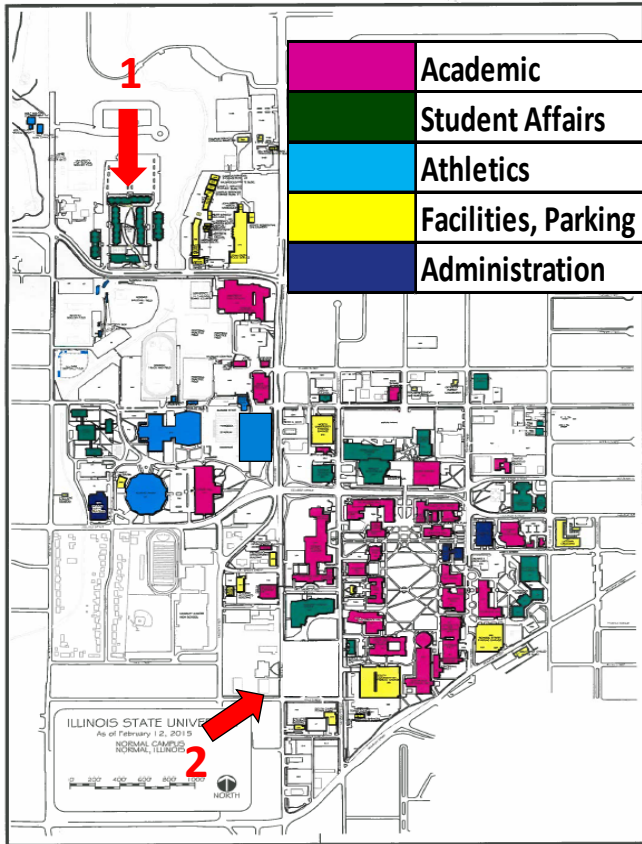
What are the P-3 Project forms?



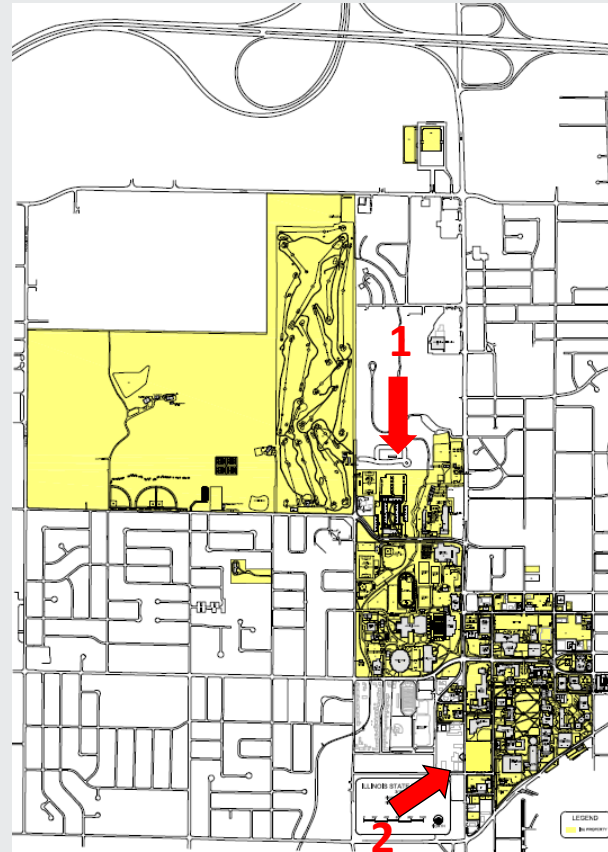
Illinois State University Campus – 2020:



Illinois State University Campus – 2020:



1 – Cardinal Court



2 – South Campus

Non-Contiguous Campus Facilities:

- University Farm – Lexington
- Ewing Manor – Bloomington
- Art Studios - Bloomington
- Foundation Office – Chicago
- Teacher Education Office – Chicago
- Teacher Education Office – Champaign
- Teacher Education Office – Decatur
- Warehouse Road Complex – Normal

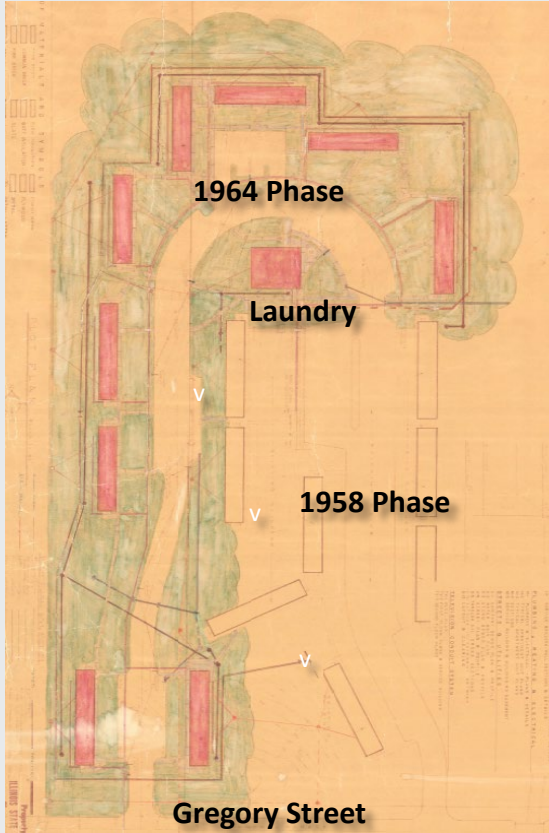
ISU's campus building statistics - 2018:

Age-Years	ISU GSF	% Total
0-25	1,820,147	24.80%
26-50	2,352,519	32.05%
51-75	2,673,666	36.42%
76-100	305,585	4.16%
101-125	188,465	2.57%
126-150	0	0
150+	0	0
Total	7,340,382	100.00%

ISU's Most Recent P-3 Project – Cardinal Court



Old ISU Cardinal Court:



Old Cardinal Court University Housing Complex Statistics

- 8 buildings built in 1958 at a total cost of \$1.5M
- 10 buildings built in 1964 at a total cost of \$2M
- Total 209 beds (1958 + 1964)
- Demolished 2011 to provide site for new P-3 Cardinal Court facility in 2011

1964 Site Plan – Cardinal Court

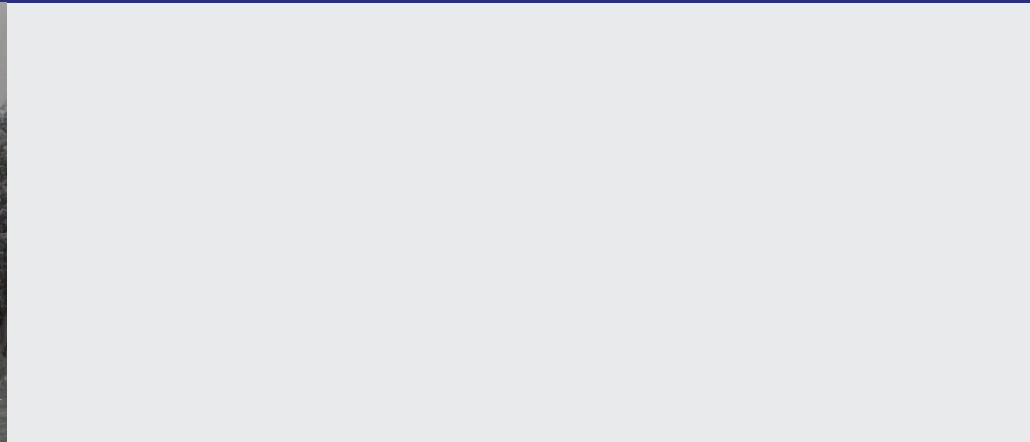
Old ISU Cardinal Court:



Old ISU Cardinal Court:



Old ISU Cardinal Court:



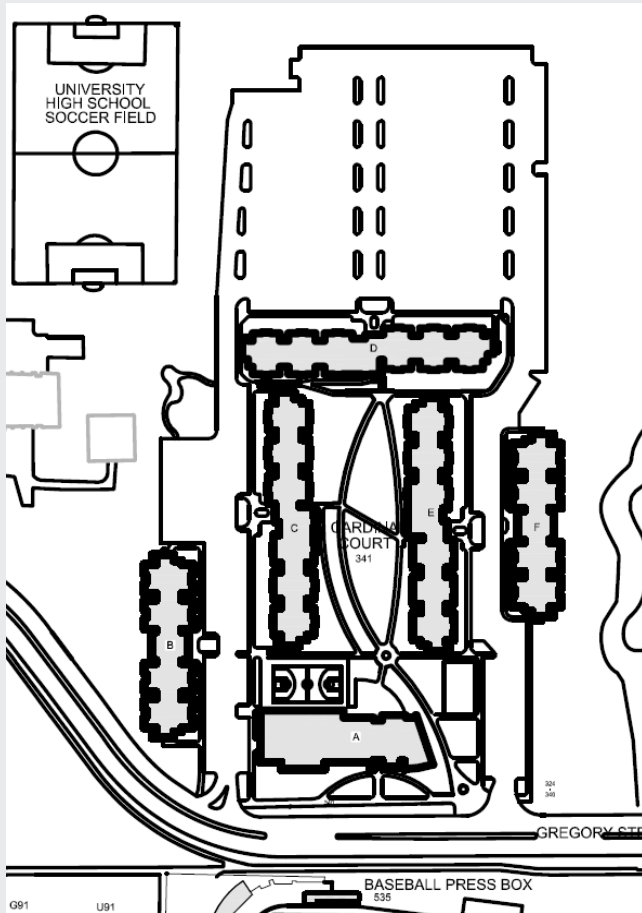
ISU's Cardinal Court P-3 Project Chronology:

- Request For Proposal (RFP) for Public-Private Partnership (P-3) posted – December, 2009
- RFP's received – February, 2010
- Selection/negotiation process complete – June, 2010
- Design commences – July, 2010
- Schematic design complete – August, 2010
- Design development complete – October, 2010
- Construction documents issued for bidding – December, 2010
- Contracts for construction complete – February, 2011
- Demolition begins – March, 2011
- Construction complete – August, 2012

ISU's P-3 Project Statistics:

New Cardinal Court University Housing Complex Statistics

- Finance – Collegiate Housing Fund
- Developer – American Campus Communities
- Architect – Solomon Cordwell Buenz
- Builder – Weiss Builders
- ISU Project Manager – Mike Johnson
- 6 buildings built in 2011-2012:



BUILDING NAME	NET ASF	GROSS SF	NO BEDS
Cardinal Court Building A (Ash Hall)	12,975	14,217	
Cardinal Court Building B (Birch Hall)	39,228	47,854	136
Cardinal Court Building C (Cypress Hall)	49,808	59,749	208
Cardinal Court Building D (Dogwood Hall)	49,803	59,708	208
Cardinal Court Building E (Evergreen Hall)	50,098	60,003	208
Cardinal Court Building F (Fir Hall)	39,228	47,854	136
Totals	241,140	289,385	896

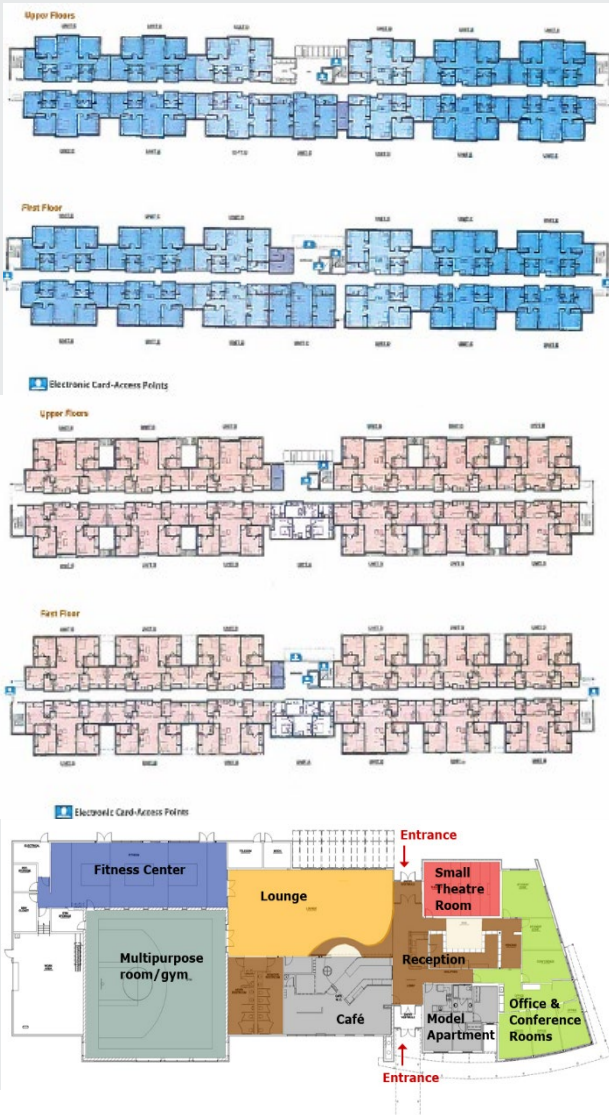
ISU's P-3 Project Statistics:

Cardinal Court Project Costs		
No.	Item	Cardinal Court
1	Year	Jan-11
3	Total Project Cost	60,000,000
4	Number of Beds	896
5	Cost/Bed	66,964
6	Construction Cost	36,500,000
7	% of Total Project Cost	60.83%
8	Cardinal Court GSF	289,385
9	Project Cost/GSF	207
10	Construction Cost/GSF	126.13

New ISU Cardinal Court:

New Cardinal Court University Housing Complex Construction

- Foundation – slab on grade
- Construction – wood frame
- Finish – fiber cement siding, asphalt shingles
- Concrete parking lot



New ISU Cardinal Court:



New ISU Cardinal Court:



New ISU Cardinal Court:



ISU's Cardinal Court P-3 Project Purchase:

- In October of 2017 the Illinois State University approved issuance of issuance of new Auxiliary Facilities System Revenue Bonds, Series 2018 to acquire the P-3 Cardinal Court Project from the Collegiate Housing Foundation
- The purchase was to realize a reduction in interest rates and a total saving to the University of \$13M
- In 2018 Auxiliary Facilities System Revenue Bonds, Series 2018 were issued
- In 2018 Illinois State University purchased the P-3 Cardinal Court Project from Collegiate Housing Foundation

ISU's Current P-3 Project - Gilbane RFP Response



Gilbane Development Company
Response to RFP (NR012919) - Student Housing
Partnership Development Projects
Illinois State University

January 29, 2019



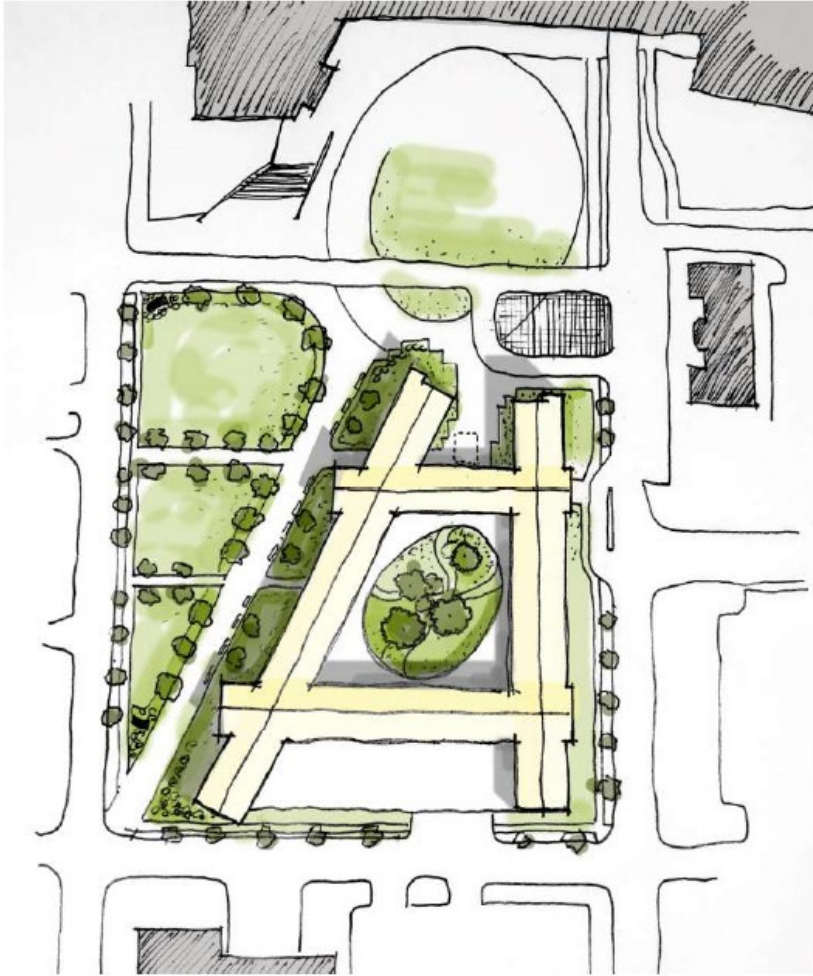
IN ASSOCIATION WITH:
Gilbane Building Company
Mackey Mitchell Architects
Rubinos & Mesia Engineers, Inc.
(Structural & Civil)
IMEG Corp. (MEP/FP/IT)
site design group, ltd.
(Landscape & MBE/DBE)

ISU's South Campus P-3 Project Chronology:

- Request For Proposal (RFP) for Public-Private Partnership (P-3) posted – December, 2018
- RFP's received – February, 2019
- Selection/negotiation process complete – August, 2019
- Design commences – October, 2019
- Schematic design complete – TBD
- Design development complete – TBD
- Construction documents issued for bidding – TBD
- Contracts for construction complete – TBD
- Demolition begins – TBD
- Construction planned completion – August, 2022

ISU's South Campus P-3 Project Current Iteration:

Site Plan



Typical Floor



ISU's South Campus P-3 Project Current Iteration:

Courtyard Plan



ISU's South Campus P-3 Project Current Iteration:

Courtyard Plan



ISU's South Campus P-3 Project Current Iteration:

Courtyard Plan



Questions?