STANDING COMMITTEES

Finance and Asset Management Committee

UW Bothell Student Housing: Stage 2 Approval

RECOMMENDED ACTION

It is the recommendation of the administration, the Advisory Committee on Real Estate, and the Finance and Asset Management Committee that the Board of Regents approve:

1) the pre-development agreement, ground lease, and office lease associated with the UW Bothell Student Housing Project on the Husky Village site; and,

2) delegation of authority to the President or her designee to execute agreements required to deliver the project.

BACKGROUND

The Husky Village property was purchased by the University in 2011 with a loan through the Internal Lending Program for $13 million with annual debt payments of $808,000 until 2042.

In July 2019, the Board approved solicitation of developer proposals to redevelop the site for student housing. Four (4) developers responded and in June 2020 Capstone Development Partners, LLC (Capstone) was selected.

Negotiations with Capstone have resulted in a predevelopment agreement, a ground lease, and an office lease for occupancy by UW Bothell administration for a project that will pay off existing debt on the property, demolish existing structures, and provide approximately 716 residence hall beds and 322 apartment beds in a vibrant student community.

In December 2020, the Finance and Asset Management Committee reviewed this item for information and asked several questions. The attached materials are the same as presented at the December meeting but with the addition of an addendum that includes responses to the questions raised.

*Attachments*
1. UW Bothell Student Housing Project Summary
2. UW Bothell Student Housing Project Background
3. UW Bothell Student Housing Q&A Addendum

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# UW Bothell Student Housing Project Summary

| **Summary date**: Nov 23, 2020 | **Category**: Renewal | **Type**: Ground Lease |
|---|---|---|

**REGENTS ACTIONS:**

| | |
|---|---|
| July 2019 | • Approved Project Site<br>• Delegated Authority to engage with and select Developer<br>• Approved pre-construction budget of $300,000 to be funded by UW Bothell |
| February 2021 | • Approve predevelopment agreement, ground lease including service agreements, and office lease for the Husky Village Redevelopment; and,<br>• Delegation of authority to the President or her designee to execute all transaction documents |
| **OBJECTIVES:** | • Provide vibrant, quality on-campus housing to meet the ongoing demand from UW Bothell (UWB) students, consistent with the UWB/Cascadia College 2017 Campus Master Plan.<br>• Create a new campus gateway with accessible pedestrian connections to the campus core.<br>• Provide ground floor program that engages the student community. |

**DESCRIPTION:** Husky Village Apartments (268 beds) will be demolished and replaced with developer-built mixed-use project on land leased from UW. The project will provide ~1,038 student beds plus ~20,000 GSF of ground floor offices for UWB administration, a ~15,000 GSF dining hall and a ~1,500 GSF convenience store. The University maintains control of the land while providing near-term student housing. Redevelopment will increase students' access to housing, optimize property zoning density, pay off outstanding debt, and eliminate existing aging buildings.

**FINANCIALS:**

| **Capstone Development Costs** | |
|---|---|
| Construction Hard+Soft Costs plus Financing | $149,500,000 |
| TI Allowance for UWB office | $2,000,000 |
| Debt Payoff to UW ILP | $10,500,000 |
| Project Management Fee to UWF | $2,600,000 |
| Predevelopment Reimbursements to UWB | $350,000 |
| **Total Project Budget (Capstone funded)** | **$162,950,000** |

| **University Costs** | |
|---|---|
| Office Fit-up over TI allowance to be paid by UWB Operating budget | $1,500,000 |

Ground Lease: Annual ground rent payments beginning in Year 11 included fixed and variable components.

Office Lease for UW Bothell Administration: Rent plus operating expenses start at $720,000 per year in 2023 and increase by 2% annually for 20 years. This is offset by termination of 16,573 SF office at Beardslee Crossing in December 2022 (average $564,000 per year.)

**BENCHMARKS:**

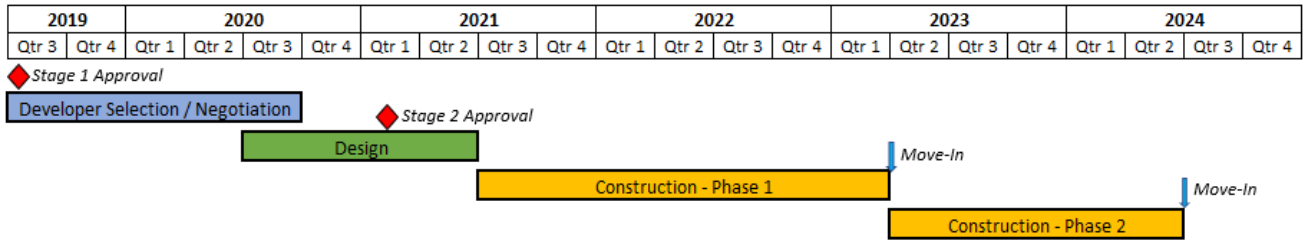
| Project | # Beds | Gross SF | Cost/Bed | Cost/GSF |
|---|---|---|---|---|
| Bellevue College | 370 | 135,000 | $105,405 | $288 |
| Seattle University- Vi Hilbert Hall | 303 | 143,264 | $165,953 | $351 |
| UWNCH 4a-Madrona, Willow & McCarty Hall | 1,758 | 547,195 | $134,503 | $432 |
| UWNCH 4b-Oak Hall | 370 | 85,665 | $113,597 | $491 |

**METRICS & INDICATORS:**

Higher than average cost metrics can be attributed to inclusion of large dining hall and the Beardslee Boulevard widening required by the City of Bothell.

| **Item** | **Projected** | **Item** | **Projected** |
|---|---|---|---|
| Cost per Bed | $144,027 | Operating Costs/Bed | $4,988 |
| Cost per GSF | $498 | Renewal Costs/Bed/Year | $225 |

**SCHEDULE:**


2019
2020
2021
2022
2023
2024
Qtr 3
Qtr 4
Qtr 1
Qtr 2
Qtr 3
Qtr 4
Qtr 1
Qtr 2
Qtr 3
Qtr 4
Qtr 1
Qtr 2
Qtr 3
Qtr 4
Qtr 1
Qtr 2
Qtr 3
Qtr 4
Qtr 1
Qtr 2
Qtr 3
Qtr 4
Stage 1 Approval
Developer Selection / Negotiation
Stage 2 Approval
Design
Move-In
Construction - Phase 1
Move-In
Construction - Phase 2

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# UW Bothell Student Housing Project Background

**Project Background**

In 2011, the University of Washington (UW) purchased Husky Village, a 90-unit apartment complex bordering the campus. The property was purchased with a loan through the Internal Lending Program (ILP) for $13M, with annual debt payments of $808,000 until 2042. A May 2019 market value appraisal estimated the current land value to be $13.4 million.




Constructed in 1986, Husky Village comprises 70,722 gross square feet (GSF) across eight three-story buildings and a one-story community center. The complex provides 90 apartments with 268 student beds on 4.4 acres. This purchase provided the first, and still only, on-campus housing, and extended the physical campus boundary. The buildings are nearing 35 years of age and at the end of their useful life due to distress from water intrusion and some occurrences of microbial growth within the units.

The 2017 UW Bothell/Cascadia College Campus Master Plan (CMP) identifies the campus zone including Husky Village as Development Area D. The maximum development scenario for Area D allows up to 300,000 GSF. The CMP proposed redevelopment of Area D to accommodate future student housing demand which was estimated to be between 650-1,200 beds.

Husky Village currently provides student housing approximately 5% of UW Bothell's (UWB) 6,000 enrolled students which is lower than many peer institutions of similar size across the U.S. The redeveloped property would offer housing to 15% of enrolled students which is less than the 20-21% offered on UW Seattle campus.

**Options Considered for Redevelopment**

The University considered multiple options to address Husky Village concerns. Existing apartment buildings have deteriorated to a state of disrepair that can no longer be ignored. Debt capacity constraints and lack of UWB equity significantly limit the workable scenarios.

- Redeveloping the site at a cost of $150-200M with funds from the Internal Lending Program (ILP)
- Renovating existing Husky Village Apartments at a cost of at least $10M with ILP funds thus incurring additional debt payments but no additional income

- Negotiating a long-term ground lease to a developer

**Stage 1 Approval**

In July 2019, the UW Board of Regents approved the project site, a preconstruction budget of $300,000, and issuance of an RFQ/RFP for selection of a developer for the project.

**Selection of Developer**

Through the process of a request for qualifications and a request for proposals the University selected Capstone Development Partners, LLC (Capstone). Capstone will ground lease the property and develop the project as further outlined below.

**Project Scope**

This proposed mixed-use development will transform the Husky Village site into the new front door to the campus incorporating enhanced public transit and cycling mobility which enable a vibrant, pedestrian-oriented environment along Beardslee Boulevard, through Husky Village, and into the campus core via the campus promenade.




Capstone Development Partners has programmed a 300,000 GSF mixed-use development which includes approximately 716 residence hall beds, approximately 322 apartment beds, student amenity space, a dining hall, a convenience store, and approximately 20,000 GSF of office space.

# UW Bothell Student Housing Project Background

The proposal includes two (2) residence hall buildings, one (1) apartment building and one (1) standalone dining hall building.

- Building A Residence Hall will house approximately 380 first-year students in 190 units that are mostly double rooms with private baths.
- Building B Residence Hall will be a transitional building primarily for sophomore and incoming transfer students with 336 beds in 92 suite-style quad units with private or semi-private bedrooms, private bathrooms and a small living space.
- Building C Apartments will accommodate 322 upper-class undergraduate students and graduate students in 85 quad units with private and semi-private bedrooms, private bathrooms, kitchen, and living space.
- Building D Dining Hall will be open to all UW Bothell and Cascadia College students, faculty and staff and their guests. It will include a variety of food stations and points of sale.

Site improvements will remove 163 existing parking spaces and add 20-25 new parking spaces to accommodate short term and accessibility needs. Residential and office employee parking will be accommodated in campus parking areas. Adding on-campus housing does not increase peak parking demand as students with cars are already parking on-campus for classes. A 2020 campus parking demand study indicates that the recent construction of the West Parking Garage brings overall campus parking utilization down to 69%. The addition of the STEM4 building and Husky Village Redevelopment changes would increase utilization to 76% which is below the desirable maximum of 85-90%. This indicates that additional parking is not needed to support the redevelopment.

Redevelopment of the site triggers widening and improvements to the northeast bound lanes of Beardslee Boulevard per City of Bothell code. This includes widening to 2 lanes, undergrounding of power lines, creation of a shared bike and pedestrian path, new stormwater system, and incorporation of new bus stops for Sound Transit, Community Transit and King County Metro. These new bus stops are the first step in getting transit buses off campus streets, thus improving pedestrian safety.

Stormwater management for the Husky Village Redevelopment will include collection, conveyance, and water quality treatment with flow control (detention pond) utilizing a campus wide regional solution and located on the UW Bothell / Cascadia College campus.

# UW Bothell Student Housing Project Background

**Student Experience**

Living on campus creates greater student engagement, which is shown to positively impact student retention, GPA, satisfaction, and graduation rates. On-campus student housing allows high-impact practices such as participation in Living-Learning Communities to take root.

The new residential program will create a safe environment with controlled access into the buildings. A standalone dining hall will improve meal availability for the residents as well as non-resident users of the campus. And a new transit station will allow greater mobility to and from campus.

UW Bothell will continue to provide residential life services. Many student-facing administrative services will move into the office space, and Student Affairs is looking at ways to include on-site "pop-up" programs such as health services, academic advising, and career counseling on a rotating basis.

**Student Housing Demand**

The last few UWB Autumn Resident Surveys have shown an annual downward trend in satisfaction with Husky Village and its value for cost. Even so, the existing apartments have been 100% occupied for the past three academic years with a waiting list of around 100 students seeking a safe, convenient housing option near campus.

Brailsford & Dunlavey (B&D) completed a housing demand study via online surveys and online focus groups with existing UW Bothell and Cascadia College students. B&D received over 1,086 responses from UW Bothell's ~6,000 students and 106 responses from Cascadia College students. The demand analysis identifies current housing demand at 993 beds for UW Bothell students and another 164 beds for Cascadia College.

This projected demand only includes demand from currently enrolled UW students. After redevelopment, the campus will also be able to attract students that previously would not consider UW Bothell due to the lack of a traditional housing and dining program. Students and parents will both appreciate the quality, safety, convenience, and affordability of the new program.

**Dining Hall / Food Services**

Capstone's dining consultant, Envision, worked with B&D to include food services questions on the survey. Nearly 1,200 UW Bothell and Cascadia students, as well as 222 UW Bothell faculty and staff members participated in this portion of the survey.

The food services survey indicates a strong desire for more campus food service and meal plans for first and second-year students. Faculty and staff are interested in healthier meal options and would consider purchasing some type of meal plan.

Capstone would contract with and manage the food service provider for the Building D dining hall. Capstone would also separately contract with UW Bothell and Cascadia College to operate food services and a convenience store/coffee shop on the co-located campus. The campus core food services would be managed by the same food service provider to streamline efficiencies and help with profitability. Catering would be included and would be an exclusive contract. It is likely that UW Bothell will be returning for Board of Regents approval for leases of these on campus food service spaces.

**Office Space**

UW Bothell will lease approximately 20,000 gross square feet of office space to house student service and administrative functions such as Admissions, Enrollment Management, Fiscal Services, Residential Life, Commuter Services, and the Welcome Center. This would allow UW Bothell to terminate the two existing office leases at Beardslee Crossing which totals 16,573 rentable square feet and move those offices closer to the campus core.

**Residential Life Program**

The University will perform residential life services under a contract agreement and will be paid $595,000 per year plus 3% annual escalation. Resident Advisors (RAs) and Resident Directors (RDs) will receive free room and board directly from Capstone. The program allows for an average of 1 RA for every ~35 residents and 1 RD for every ~300 residents.

During the transition years 2021-2023, Capstone will provide Residential Life payments totaling $700,000 in addition to housing and meal plans. Estimated total costs to UW will be approximately $1 million, and UWB will bear the difference.

**Residential Unit Rental Rates**

The developer will have sole responsibility to set student rent rates based on the market and has identified the 2024/2025 academic year rates to be between $3,235 and $4,278, depending on unit type. The projected rates are competitive with the surrounding Bothell market, comparable to UW Seattle units, and within the range previously endorsed by UW Bothell students.

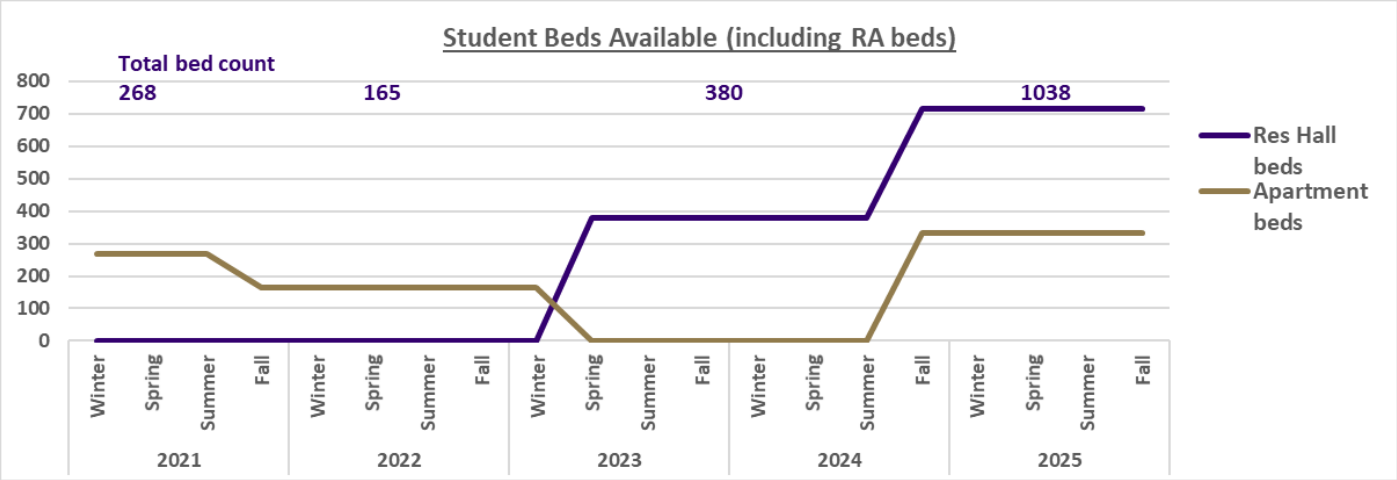
# UW Bothell Student Housing Project Background

**Rental Agreements, Billing and Collections**

All residents will enter into rental agreements directly with Capstone. UW resident and rent due information will be submitted to UW by Capstone. The University will post housing invoices to student accounts, collect funds, and will then transfer funds into a Capstone account. UW will have no responsibility/liability for unpaid rents, late payments, bad debt collections or evictions.

**Project Schedule**

Design and permitting efforts would occur between now and Fall 2021, with Financial Close anticipated for September 2021. Capstone will operate and maintain all functioning assets at that point. Phase 1 keeps approximately 165 existing Husky Village beds online while constructing the Building A Residence Hall and the Building D Dining Hall from Fall quarter 2021 through Winter quarter 2023, with occupancy planned for March 2023. Phase 2 demolishes the remaining existing buildings to construct Building B Residence Hall and Building C Apartments from Spring quarter 2023 through Summer quarter 2024, with occupancy planned for Fall quarter 2024.




**Financials**

The construction risk, the lease-up risk and the ongoing occupancy risk will be borne by Capstone. The University will offer no guarantee of occupancy but will direct students to availability of the housing. Capstone will market to UW Bothell students first, then Cascadia College students, followed by Faculty and Staff of either institution or the general public in order to fully occupy the development.

Maintenance, operations, repairs, capital refresh and improvements are the sole responsibility of Capstone. At the end of the ground lease, the improvements and any remaining capital reserves will revert back to the University.

**Credit and Accounting Treatment**

This project will not be reflected on UW's books the way a traditional UW project would be. The ground lease revenue and payments made to the developer for any leased office space will be recorded under new accounting guidance for leases and Public Private Partnerships (P3). Any long-term debt obligations will not be shown on the UW's balance sheet and any debt associated with this project will not count against institutional debt capacity.

The "arms-length" elements of this project, primarily that UW has no control over unit pricing and is agreeing to an overall transfer of risk to the developer, contribute to P3 accounting treatment. However, rating agencies have indicated that P3 projects are considered "indirect debt", which means that while the obligations of the project are not reflected in the primary metrics agencies use to determine a credit rating, the agencies will still monitor the project's financial performance. As long as it is performing well, a P3 project like this can have a neutral to slightly positive impact on the UW's credit rating.

It is important to note that the credit treatment of P3's is constantly evolving and could change in the future.

**Transaction Structure**

There are three (3) main documents that define the financial and legal obligation of this transaction between the Board of Regents of the University of Washington and Capstone Development Partners, LLC; a Predevelopment Agreement, a Ground Lease, and an Office Lease. Many exhibits will exist as attachments to these documents. Below is a summary of the significant negotiated transaction terms.

<u>Predevelopment Agreement</u>

- Developer will fund all remaining due diligence and design activities.
- If the developer defaults and/or the University terminates the project for cause, no reimbursement is required from the University.
- If the University defaults or terminates the project for convenience, then UW would be responsible for reimbursing the developer for all costs incurred up until the termination.
- If the project terminates for other reasons, UW and Capstone split the project costs incurred plus development fee earned.

- Maximum out of pocket risk for the University is capped at $5M plus earned development fee of up to $1.775M.

Ground Lease

- Land Parcel: 4.4 acres (191,495 square feet) located at 18612 Beardslee Boulevard in Bothell, Washington
- Term: 50-years + 20-year option
- Rent:
    - Approximately $10.5M at financial close to pay off existing ILP loan
    - Fixed rent starts at $100,000 in year 11 and grows at 2% annually
    - Variable rent starts at 0.5% of gross revenue in year 11 and grows at 0.5% every 10 years
- Building Improvements
    - Capstone is obligated to build mixed use development as defined in the Ground Lease
    - Total buildings: 300,000 GSF
        - Residential: 263,500 GSF
        - Office: 20,000 GSF
        - Dining: 15,000 GSF
        - Retail (C-Store): 1,500 GSF
- Schedule and University Approvals
    - University has design approval rights through schematic design
    - Developer must commence construction no later than 180-days after financial close
    - These are outside dates, subject to delays and cure provisions that can trigger cancellation rights by the University.
- Property tax exemption sharing:
    - As a private entity, Capstone will have to pay property taxes on the Husky Village buildings; the estimated amount for 2024 is about $1.4 million. If the buildings were constructed and owned by UW, there would be no property tax liability as we are a state agency.
    - Capstone and the University may choose to seek legislative approval for tax exemption on public university student housing sometime in the future. If a tax exemption is achieved, the savings will be split by the University and Capstone as follows:
        a) 50% of the savings will go to UW Bothell to utilize for improving or expanding programs that support the project and/or residents.

b) 50% of the savings will go to Capstone to utilize for reducing residential rental rates.

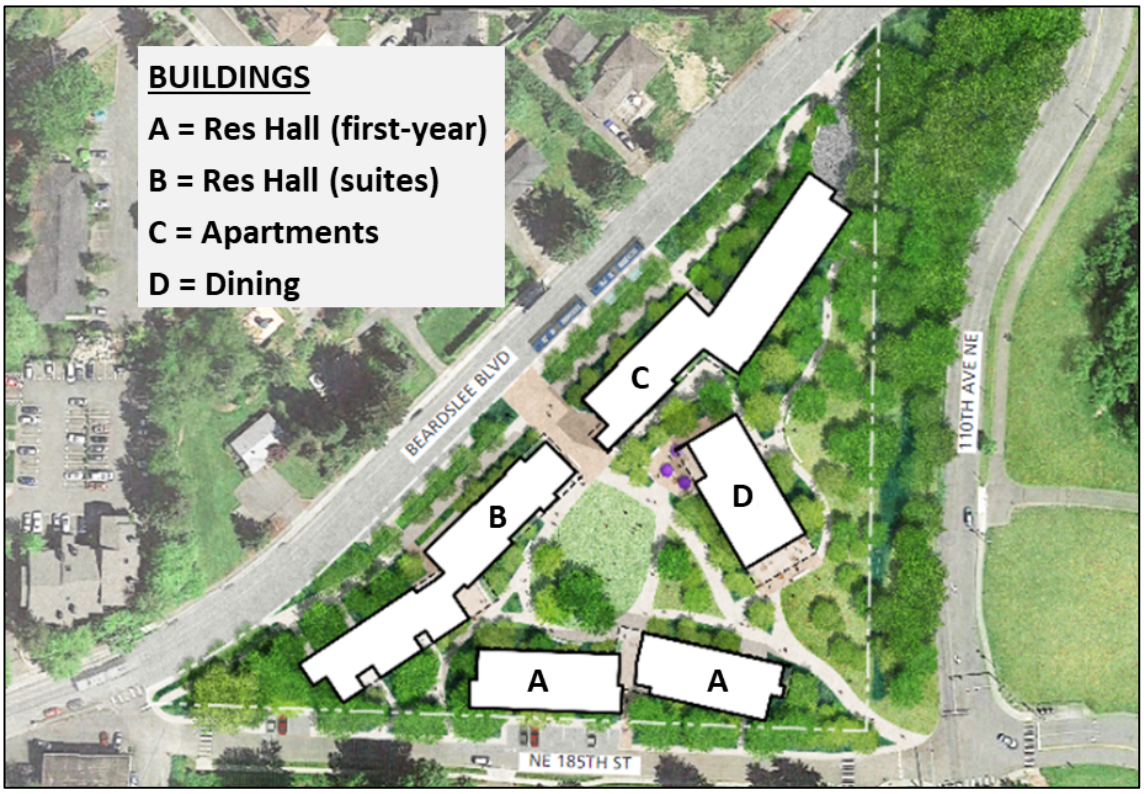
- Additional Terms
  - University has right of first offer to purchase
  - University has naming and signage rights
  - University gets paid on all ground lease transfers to outside parties
  - At the end of the ground lease term, the building assets and any remaining capital reserve budget reverts back to the University

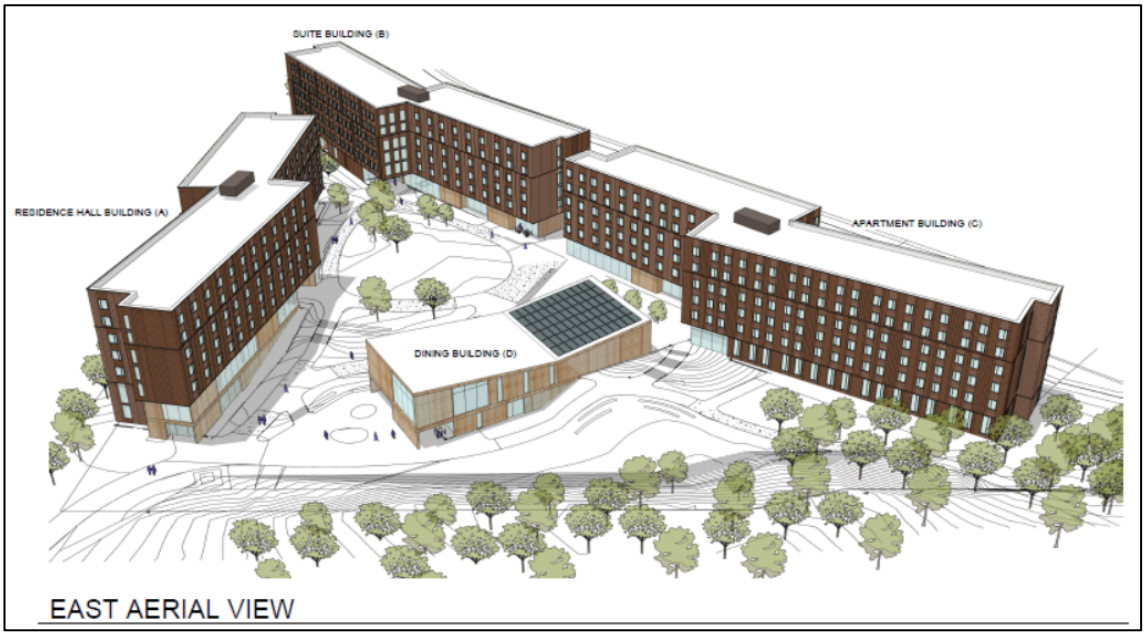
Office Lease

- Tenant: The University of Washington, Bothell
- Premises: University will lease 20,000 GSF
- Rent:
  - $26.00 per rentable square foot per year net (RSF)
  - Rent increases by 2% per year
  - Rent subject to final design and pricing
  - Three (3) months of free rent
- Operation Expense: estimated at $10/RSF/Year
- Tenant Improvement Allowance: $100/RSF
- Term: 20-years plus three (3) extensions options for five (5) years with the first extension at 95% of fair market rate and the remaining two extensions at fair market rate.
- Other: UW Bothell will execute a terminate option on 16,573 SF office at Beardslee Crossing in December 2022 prior to occupying the Husky Village office space.

# UW Bothell Student Housing Project Background

**Site Plan & Imagery**



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# UW Bothell Student Housing Q&A Addendum

**What safeguards will be in place to protect the University over the term of the ground lease?**

- True net lease - UW has no financial obligations for the land or the facilities for the duration of the ground lease. This is the best possible lease for a landlord as they do not have to pay for any maintenance, repairs, etc.
- All current and future tax obligations (property taxes, LET, assessments etc.) are Capstone's obligation.
- Maximum debt allowed on the project at any point is 70% of project value, which should keep it from having a negative impact on financial ratings for Capstone, their investor, or UW in a negative manner.
- UW's fee title is not subordinated to the ground lease (Capstone's loans on the property do not encumber UW's interest in the property and UW is in first position on any claim made on our property.)
- UW has full audit rights of Project financials
- All construction work must be done in a prudent and first-class manner and with first-class materials
- Project must meet LEED Gold certification standards and use sustainable methods for cleaning and landscape maintenance
- Capstone is required to maintain and clean the building as a first-class office, food service, and housing facility and will meet APPA Level 1 – Level 2 standards.
- If the property manager is not meeting expectations and fails to correct the concern, the University can require replacement
- Capstone will make sizeable annual deposits to a Capital Renewal Reserves Fund, starting at $225/bed and escalating annually. This is based on industry underwriting standards and prior Capstone experience in managing housing projects. Capstone will provide updated 5-year Capital Plan every three years to the University.

<u>Future Transfers of Ownership</u>

- UW gets 1% of gross sale price
- UW has right of first offer on any ground lease sale which would provide at least 30 days advance notice prior to marketing the project. Capstone must in good faith forewarn UW of the potential sale. The University could purchase the project for a set price before Capstone takes it to market for that same price or higher. If Capstone decides to agree to a lower price, the University also gets to the first opportunity to purchase at that price.
- UW has extensive approval rights of the proposed buyer which are detailed in the ground lease. The proposed buyer must be financially stable, have an excellent business reputation, be a

knowledgeable developer or investor, and significant real estate assets. If UW does not approve the proposed buyer, Capstone could disagree with our reasoning and sue us in order to settle the dispute.

**Is there enough student housing demand on the Bothell campus to fill 1,000 beds?**

Capstone contracted with Brailsford & Dunlavey (B&D), a premier consultant with an outstanding reputation in market analysis, to complete a housing demand study during the Summer 2020 quarter.

- Based on the survey of current UW Bothell students, there is a University student housing demand for 1,064 rentable beds but adjusted for risk tolerance to 993.
- Cascadia College students were also surveyed and showed an additional demand for 214 on-campus beds which was adjusted to 164 beds.
- This analysis suggests that UW Bothell students should immediately substantially fill the bed capacity, with Cascadia College students filling any gaps initially.
- The occupancy shortfall risk will be borne by Capstone and is not backstopped by the University.
- In order to fill the beds/units, Capstone has the right to lease beds to Cascadia College students or to lease apartments to faculty, staff, or general public as a final measure. Each residential building will have a timeline that allows UW multiple months of advanced leasing periods before Cascadia students are accepted. Faculty, staff, or general public will only be allowed to lease units after these periods and extensive marketing efforts are exhausted.
- As further comparison, on the UW Seattle campus approximately 70% of first-year students and about 18% of all other undergrads occupy the 9,500 beds offered by the University in a typical year. As the Bothell campus maintains itself as primarily a commuter campus, these percentages will be significantly lower. The B&D study forecasts an initial first-year capture rate of 44% of UW Bothell first-year students (about 400 out of 900) and 14% of all other undergrads (about 650 of 4600 students) will select student housing, thus filling the project capacity.

**Is UW Bothell prepared to cover the additional operational costs that go along with having a large residential presence on campus?**

Housing operations for the project (such as building maintenance, utilities, services, lease contracts, and future capital reinvestments) will be developer's responsibility. UW Bothell will provide Residential Life services (including student life programming), student billing and campus safety services for the project. Capstone will provide room and board at no charge for all Resident Advisors

and Resident Directors (valued at approximately $160,000) as well as a $595,000 annual services agreement payment to UW Bothell. It is anticipated that this annual payment will cover the majority of the operational cost increases associated with the project. UW Bothell administration is prepared to fund any increases in campus safety services, if necessary. UW Bothell does anticipate heavier usage of the Activities and Recreations Center (ARC) and the Library with a larger residential population. The ARC was constructed in 2015, so other than typical fitness equipment replacement, no additional upgrades should be necessary on the ten-year horizon.

The possible increase in UW Bothell operational costs is considered to be significantly offset by the higher quality student experience and the associated value-adds in our ability to attract students, faculty, and staff in the increasingly competitive Higher Education industry.

**Will UW Bothell have oversight of housing operations or the rental rates?**

Given the P3 structure and balance sheet considerations, UW Bothell will not have control over setting rates or managing day-to-day operations outside of Residential Life services. While there is no rate guarantee, the entire redevelopment is centered around students which inherently diminishes the project's appeal to non-students at market rates. Therefore, market forces are such that the developer / investor are highly incentivized to keep rates affordable in order to attract the student population and maximize occupancy.

But the University will be allowed to have three members on the project's seven-member Operations Committee which will meet throughout the year. During late fall / early winter quarter, the meetings will be focused on leasing & marketing where rates for the upcoming academic year are reviewed and any revisions to the marketing plan are discussed. Rates will be compared to similar UW and greater Seattle student housing projects and to the Bothell community housing options to ensure they are competitive. This is the same type of market rate comparisons that Financial Aid is based on.

**What advice or support has the project received from our UW student housing experts?**

The UW Bothell Housing Director and the project team have connected with Housing & Food Services (HFS) throughout the process and they have been the source of much valuable input/information. The project team has also availed itself of and relied on input and advice from Hal Ferris, Principle at Spectrum Development Solutions, who has been an advisor on UW Seattle housing projects, to better inform the financial analysis, developer selection, deal point evaluation and student rental rates during negotiations.

Key guidance provided by HFS and incorporated into the project:

- For first and second-year students, double rooms with private bath are the most popular and quad-occupancy rooms are a great value. For upper-class students, suite-style apartments with kitchens are preferred. The programming for this development incorporates this feedback and offers mostly double and quad-occupancy units for first-year through graduate students.
- The quality of the business partnership is important and the right UW experts have been involved in that piece. Long-term success of this project will be determined by the quality of the relationship between UWB & Capstone as it relates to operational and programmatic aspects that impact student experience. This is a big reason Capstone was selected as they are very good at connecting with the mission of the university/campus and fostering relationships with university partners.
- More on-campus residents will mean more demands on the campus: facilities, emergency response, medical/mental health resources, student activities, and other incidents requiring crisis response. UWB has considered these demands and is confident in their ability to proactively support the residential population.
- It is important to include the University's community/conduct standards in the residential leases to ensure consistency between campus and housing. UW's standards will be included for all residents and the UW Residential Life team will work closely with Capstone operations on any resident conduct issues, lease terminations, and roommate conflicts / room changes.
- Roles and responsibilities definitions are key for residential life and operations teams. UWB and Capstone's operations leaders have identified roles & responsibilities and understand the need to work together seamlessly. To facilitate the connection to each other and to the residents, the UWB Residential Life team and the Capstone operations team will share an office area in Building B.
- Capstone and UWB will need a very strong marketing plan to fill the beds with UW students upon opening each phase and marketing should start early. Engaging early with Admissions, Orientations, student activities, advisory boards, leadership, faculty, staff, parents, students, and surrounding community will be beneficial and will aid in filling the units prior to considering non-UW student residents.
- Marketing efforts will promote the student-focused programs & services and high touch aspect of campus living as a significant benefit over off-campus options.

**Why is the office lease term different than the ground lease term?**

While the intent is to remain in the office space for the duration of the ground lease, the shorter term allows more flexibility for the University to manage space. Shorter term leases have a smaller impact on institutional debt.

# UW Bothell Student Housing Q&A Addendum

**Is the Developer required to meet the University's Business Equity Enterprises (BEE) goals?**

The deal structure does not require Capstone to meet the 20% BEE goals typically set by the University. However, Capstone has committed to providing maximum participation opportunities for Business Equity Enterprises (BEE) and will strive to meet the UW's Inclusion Goal of 20% BEE utilization, including 15% MBE and WBE participation.