

Scenario 3 Private Sector and/or SDSMT Foundation

This scenario, similarly to Scenario 2, is also guided by the 2011 Campus Master Plan that guides housing to be developed west of campus. However, this scenario relies on entities other than SDSMT to develop housing. SDSMT would then enter into an arrangement to access that housing.

General Advantages:

- Allows projects to be built on property not owned by SDSMT
- Possibly accelerates the time frame in which students can occupy the facility
- Reduces initial costs and risks to SDSMT
- Possibly aligns better with Campus Master Plan

General Drawbacks:

- Limited ability to dictate the location of projects
- Limited ability to dictate project/unit types
- Limited control of property/project
- Limited ability to control costs
- Limited ability to control schedule

Although project development may be somewhat consistent, specific real estate scenarios may materialize in several unique ways including:



- **“Turnkey” development** - In real estate, turnkey is defined as delivering a location that is ready for occupation. The turnkey process includes all of the steps involved to open a location including the site selection, negotiations, design, entitlement process, construction, commissioning and installation of FFE (Fixtures, Furnishings and Equipment). Upon completion of the project SDSMT would purchase each respective development in order to lease it to students. In addition to a negotiated fair market price, the purchase price would likely include developer fees and other potential costs to compensate the developer for risk and costs in developing the project.

Advantages:

- Allows projects to be built on property not owned by SDSMT
- Possibly accelerates the time frame in which students can occupy the facility
- SDSMT may have strong voice in project scale, type, and amenities
- SDSMT takes ownership of the land and facility

Drawbacks:

- May not be able to find developer to do projects
- May not be able to agree on purchase price/value
- Developer may not have the same time frame as that of SDSMT
- SDSMT may not be able to dictate project location
- May cost SDSMT more in turn for convenience, expediency and limited involvement in development

- **Long-Term Leasing** - The developer would retain ownership of the development and lease the project to SDSMT in a long term (likely 10+ years). SDSMT would then, in turn, lease the facility to students.

Advantages:

- Allows projects to be built on property not owned by SDSMT

- Possibly accelerates the time frame in which students can occupy the facility
- “Guaranteed” long-term lease by SDSMT may allow developer to finance the project easier
- Typically maintenance is done by others

Drawbacks:

- May not be able to find developer to do projects
- SDSMT may have little input on project location, scale, type, and amenities
- SDSMT will not own the property
- May not be able to agree on lease terms/costs
- Developer may not have the same time frame as that of SDSMT
- Exposes SDSMT to risk if housing demand drops

- **Short-Term Leasing** - The developer would retain ownership of the development and lease the project to SDSMT, typically for 1 to 2 years. SDSMT would then, in turn, lease the facility to students.

Advantages:

- Allows projects to be built on property not owned by SDSMT
- Possibly accelerates the time frame in which students can occupy the facility
- Limits risk to SDSMT if housing demands drops
- Typically maintenance is done by others

Drawbacks:

- May not be able to find developer to do projects
- SDSMT may have little input on project location, scale, type, and amenities
- SDSMT will not own the property
- May not be able to agree on lease terms/costs
- Developer may not have the same time frame as that of SDSMT
- No guarantees that property will be available to lease after the term of the lease is completed

SEP 16 2014

Scenario 4 Hybrid Build-out

Perhaps the most likely implementation outcome is not any single scenario as described herein, but rather a hybrid, or combination. It is quite possible that several desirable hybrid scenarios may be plausible and could likely unfold over time. These scenarios would contain a combination of on-campus and off-campus housing. This housing would be developed, owned and managed by various entities.

The University will likely need to be the catalyst for a hybrid build-out regardless of the ultimate form it takes on. Although the private sector has already made a move to provide housing near campus, it is unlikely that this will continue without knowing very clearly what role in providing student housing the University plans to undertake in both the near term and the long term.

This study focuses on providing housing to SDSMT freshmen and sophomores as required statutorily by the State of South Dakota. Therefore, the assumption of this study is that juniors, seniors and graduate students will find housing off campus. However, over time, as the housing supply for freshmen and sophomores catches up with demand, there should be an increased interest in providing housing for upperclassmen as a recruiting and retention tool. As the University gets closer to this point, it is likely that this demand will be filled by a Hybrid Build-out of some sort.

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