

**AOA 2012 Annual Conference
San Francisco, CA
January 11, 2012**

**Emerging Issues: Property
Development Best Practices
for Public/Private Partnership**

Agenda and Panel Introductions:

Principles and Process approved by Chancellor's Office and Trustees for Property Development Public/Private Projects –Assistant Vice Chancellor Capital Planning, Design and Construction, Vi San Juan and Senior Director, Finance and Treasury Robert Eaton

Cal Poly Pomona's Innovation Village – Vice President for Administration /CFO, Ed Barnes, Executive Director Cal Poly Pomona Foundation, Paul Storey and Director of Real Estate Development Cal Poly Pomona Foundation, Sandy Acton

Fresno's State Campus Pointe and Save Mart Center – Vice President Administration/CFO, Cindy Matson and Associate Vice President for Auxiliary Operations, Debbie Astone

CSU Bakersfield's Public/Private buildings projects – Vice President/CFO, Mike Neal

Other Public/Private Projects, emerging opportunities, questions and discussions

Process, Policy and Principles

Public/Private Property Development

Elvyra F. San Juan, Assistant Vice Chancellor, CPDC
Robert Eaton, Senior Director, Financing and Treasury
January 11, 2012

Public/Private Partnerships General Process

- Identification of campus needs and gathering of information (RFI)
- Land Development Review Committee (LDRC)
- Conceptual approval by Board of Trustees (BOT)
- Structural development and details
 - CEQA, EIR, master plan
 - Selection of development partner(s) (RFQ, RFP)
 - Negotiation of terms, financial structure
 - Educational benefit
 - Schematics
 - LDRC updates
- Final approval by BOT

Public/Private Partnerships Policy

- Executive Order 747—Policy on Real Property Development Projects
- Basis for the Public/Private Partnership process
- Defines
 - Roles and responsibilities
 - Parameters for BOT conceptual approval
 - Key requirements for BOT final approval of development plan

EO 747

Roles and Responsibilities

- President—Responsible for real property development on campus
- LDRC —Responsible for assisting campus in planning and analysis, and for making recommendations to Chancellor and Executive Vice Chancellor/CFO prior to BOT action
- Chancellor and Executive Vice Chancellor/CFO — Responsible for determining the applicability of EO 747 to a project

EO 747—Parameters for BOT Conceptual Approval

- Early and continuing involvement of the Chancellor's Office
- Campus presentation to LDRC
 - AVC Capital Planning, Design and Construction
 - AVC Financial Services or Senior Director F&T
 - OGC—subject matter and campus counsel
 - Two at-large members from the system
- Issuance of specific procedures from Executive Vice Chancellor/CFO regarding a project

EO 747—Key Requirements for BOT Final Approval

- Update of conceptual plan—emphasis on how project furthers the educational mission
- Due diligence results and assessment of risks
- Summary of terms and conditions for key agreements
- Multi-year financial plan
- Other BOT approvals as needed (CEQA/master plan, amend capital outlay, schematics, etc.)

Related Key Policies

- CSU Policy for Financing and Debt Management
 - Board of Trustees Resolution RFIN 03-02-02
 - Executive Order 994
- Leases—Executive Order 669
- Other policy related considerations
 - Prevailing wage
 - Impact on CSU debt programs (i.e. SRB)

Public/Private Partnership Principles

- Meet a need that the campus or CSU cannot provide through established programs
- Align project purpose and structure with campus goals
- Balance risk and reward
- Avoid impact on CSU credit or debt capacity
- Make use of systemwide expertise
- Get Chancellor's Office involved—early and often

INNOVATION VILLAGE



65 acre research/tech park
Public/private partnership
development at Cal Poly Pomona

GUIDING PRINCIPLES of DEVELOPMENT

- Support the mission of the university
- Enhance the quality of life and academic experience for the university community
- Adopt an environmentally enriching approach (using design guidelines established by university)
- Become a profit center for the university (directly and indirectly through the increased utilization of foundation/facilities)



KELLOGG DR.

SOUTH CAMPUS DR.

INNOVATION WAY

W-TEMPLE AVE.

VALLEY BLVD.



American Red Cross



SOUTHERN CALIFORNIA EDISON
AN EDISON INTERNATIONAL COMPANY



SOUTHERN CALIFORNIA EDISON
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Future Development

Future Development

InnovationVillage

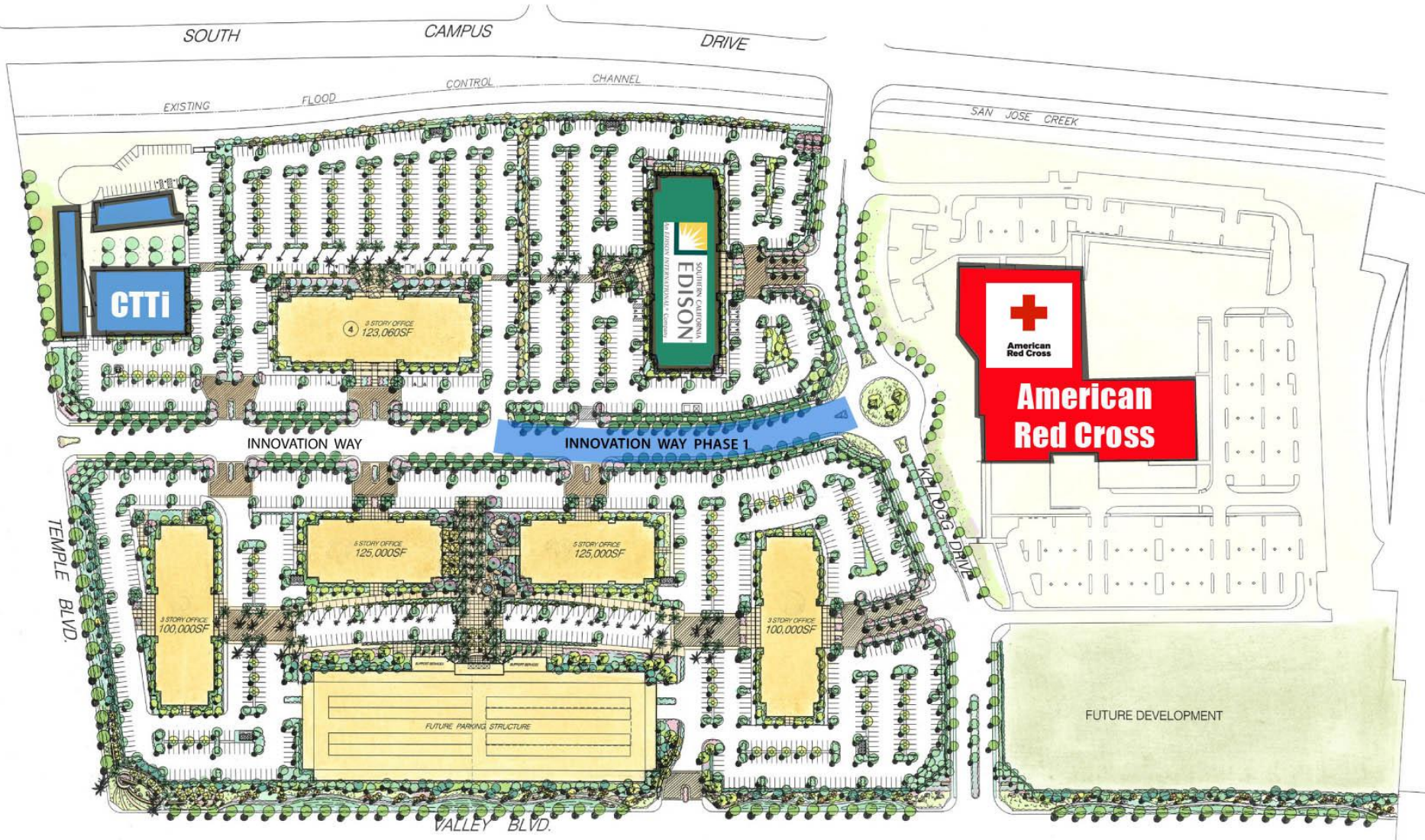
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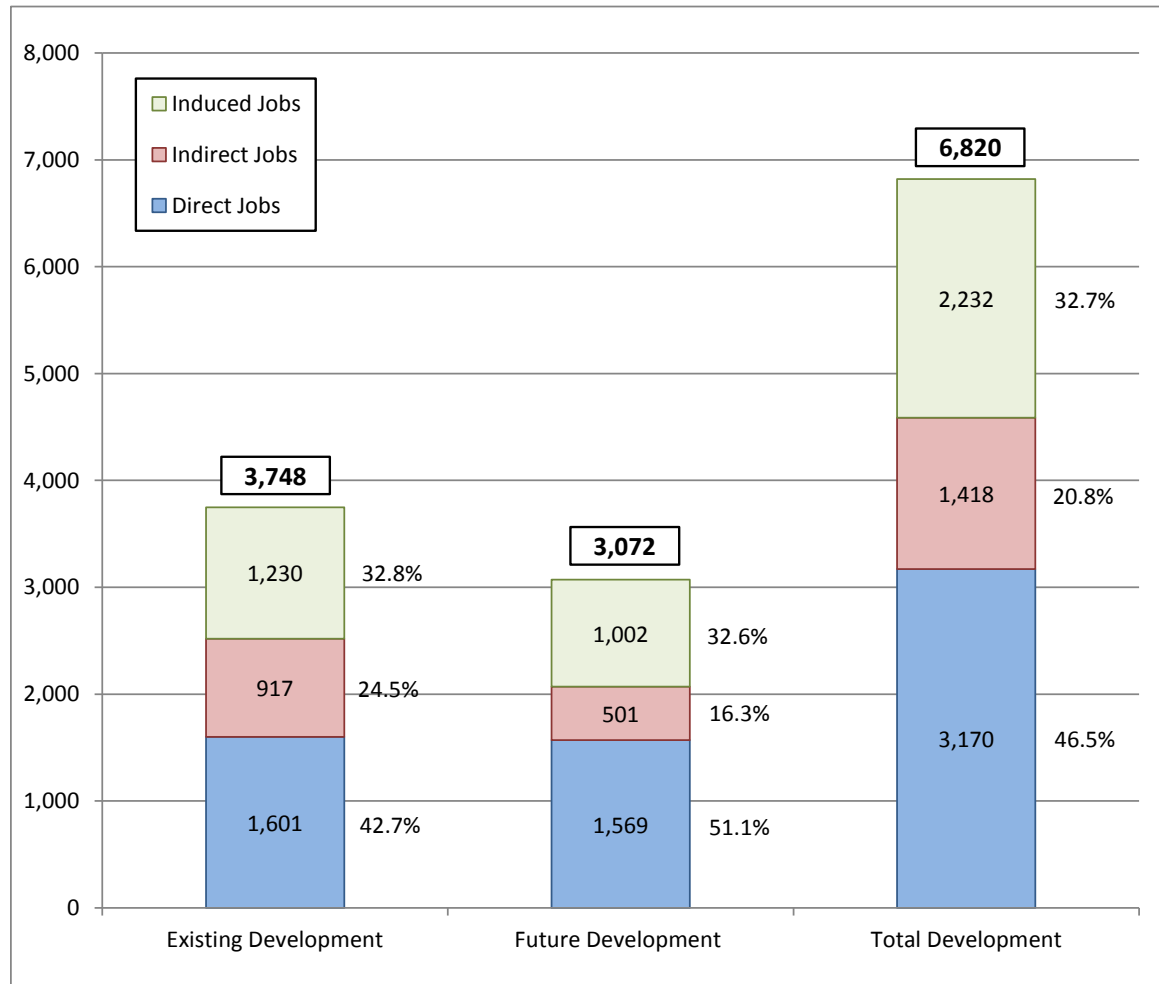
JOB CREATION

- Innovation Village has created 1,601 total direct jobs thus far
- Total jobs anticipated at 100% build out will be 3,170
- Average wage for these direct jobs is \$79,850 as compared to estimated mean wage in Pomona of \$46,083 and for the County of \$50,876.
- Higher wage earners employed at Innovation Village means we are achieving our goal of “hiring our product” from the University.



Figure 1

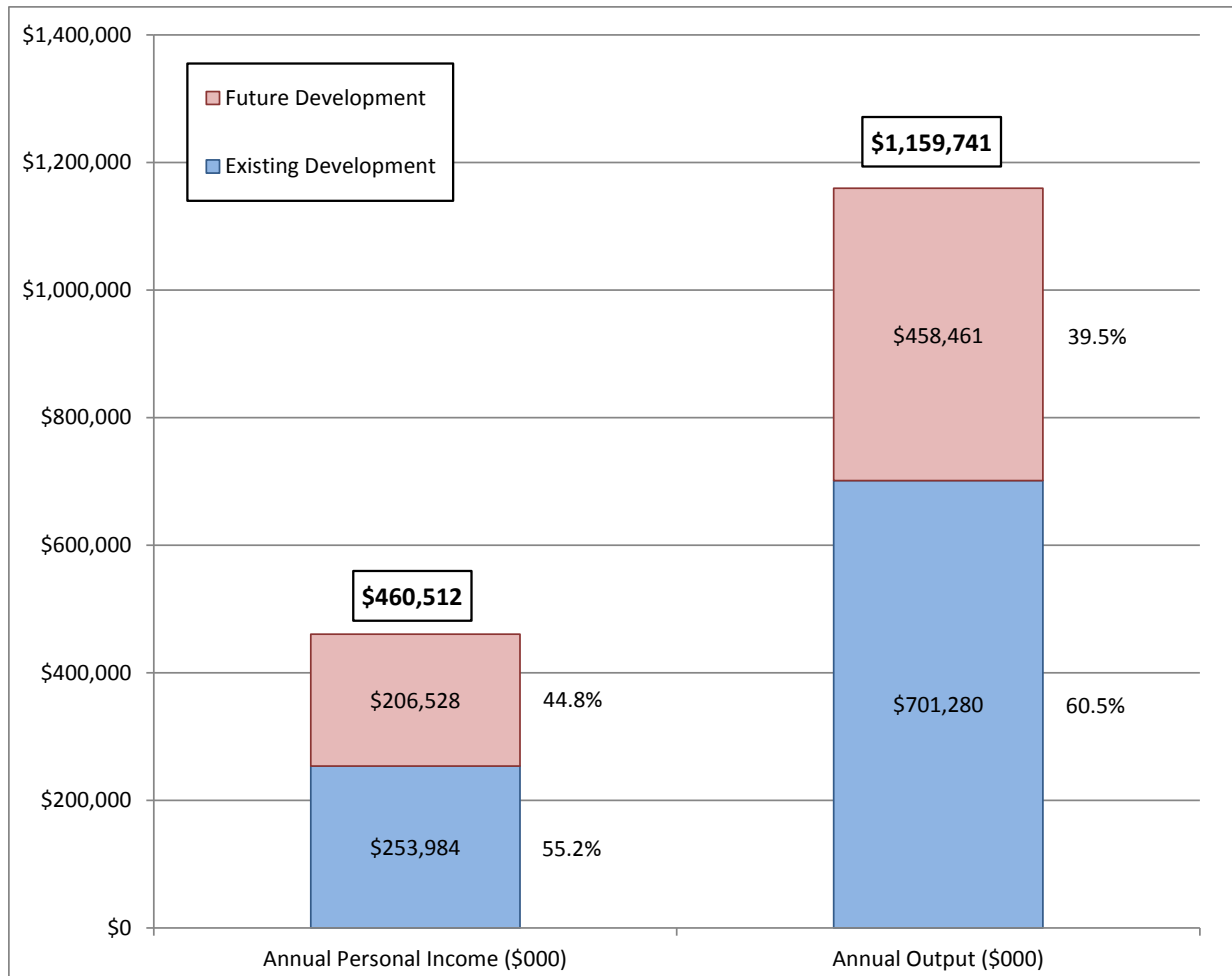
Estimated Jobs



Sources: Stanley R. Hoffman Associates, Inc.
Southern California Edison

Figure 2

Estimated Occupational Payroll and Economic Output (In Thousands of Constant 2011 Dollars)



Economic Impact

- Innovation Village currently has an estimated annual economic impact to the local community of \$701.28 million based on the total of direct, indirect and induced jobs with average wages of \$67,765 from all sources.
- Total anticipated annual economic impact at 100% build out is \$1.16 billion.



Table 2

Projected Recurring Fiscal Impacts to Pomona General Fund

(In Constant 2011 Dollars)

Category	Existing Development	Future Development	Total after Buildout
A. Valuation and Property Tax			
<u>Valuation</u>	\$70,575,800	\$127,500,000	\$198,075,800
<u>Total Annual Property Tax</u>	\$705,758	\$1,275,000	\$1,980,758
B. Pomona General Fund Annual Fiscal Impacts			
<u>Annual City General Fund Revenues ¹</u>			
Property Tax	\$164,582	\$297,328	\$461,910
Property Tax - In Lieu of VLF	81,162	146,625	227,787
Business License Tax	46,766	81,892	128,658
Franchises and Utility Consumer Tax	40,049	39,248	79,297
Fines and Forfeitures	<u>8,982</u>	<u>8,802</u>	<u>17,784</u>
Total Annual Recurring Revenues	\$341,541	\$573,895	\$915,436
<u>Annual City General Fund Costs ²</u>			
General Government	\$4,632	\$4,540	\$9,172
Fire Department	<u>105,282</u>	<u>103,177</u>	<u>208,459</u>
Total Annual Recurring Costs	\$109,914	\$107,717	\$217,631
Annual Recurring Surplus	\$231,627	\$466,178	\$697,805

Note: 1. Only annual recurring revenues relevant to Innovation Village are projected to the City General Fund.
2. Only fire protection and general government overhead costs are projected for Innovation Village. Police protection, planning services and public works services are provided by Cal Poly Pomona to Innovation Village.

Sources: Stanley R. Hoffman Associates, Inc.
Los Angeles County Auditor-Controller, Property Tax Division, "Allocation Percentage Calculation", Roll Year 2010
City of Pomona, 2011-12 Adopted Operating Budget
Cal Poly Pomona Foundation, Inc.

Lessons learned/things to consider

- Important to set guiding principles including language that speaks to the project supporting the mission of the University.
- Foundation decided early on it did not want to be in the position of a real estate developer, rather it built a team of reliable partners
 - Roles of University and Foundation and their relationship with one another
 - Created alternative investment in Real Estate within the Foundation and invested \$3.5 million in infrastructure
- The project, along with the current economic impact shown in our study, has the potential to generate a large endowment for the University through the Foundation.

