



BRAILSFORD & DUNLAVEY

Facility Planning • Program Management
Analysis for Building Communities

April 4, 2008

Mr. David Proctor
Facilities Director, Lock Haven University of Pennsylvania
Mr. Richard W. Bartholomew
Principal, Wallace Roberts & Todd, LLC

Re: Proposal for Student Housing Market Study

Dear David and Richard:

B.J. Rudell in my office has informed me that you had a productive conversation on the need for a student housing market study at Lock Haven University of Pennsylvania. Per your request, we have assembled a proposal on how we would complete this assignment. Having conducted similar campus housing studies for more than 100 universities—including many in the Pennsylvania university system—we look forward to the potential opportunity to apply our experience and expertise toward assisting you with your present needs.

The following paragraphs provide you with an outline of our proposed scope of services, fees, and schedule. We also have included two “optional” services, which many of our clients have requested for comparable studies. But we will defer to you on whether or not they would be useful to you.

Work Plan

PHASE I – Market Study

A. Project Initiation

1. **Review All Pertinent Existing Documentation and Data** such as site plans, concept plans, projected budgets, previous 5-year operating statements, occupancy levels, marketing studies, university master planning documentation, floor plans, as-built drawings, square-footage assignments, fire safety reports, ADA compliance reports, facilities audits, energy audits, and security reviews.
2. **Tour Existing Housing and Campus** to assess qualitatively the current conditions and to acquire an understanding of current space allocations, functionality, and physical conditions. Develop a summary of existing housing by type, cost, location, and vacancy rates.

3. **Conduct Administrator Interviews** to identify existing issues, budgetary restraints, facility concerns, and the University's master plan developments in relation to potential student housing sites.
4. **Conduct a "Visioning" Workshop With the Project Committee** to define the Project's "Destination Value," outlining the University's expectations and aspirations for the project, identifying the University's targeted constituencies and Residential Life clients, and framing the initial project concepts that would respond to that vision. Plans for focus group and survey implementation will be discussed and finalized. B&D's "Visioning" approach is a critical facet of its studies, serving as the basis for decisions and evaluations throughout the planning process.

B. Preliminary Analysis

1. **Conduct a Demographic Analysis** by evaluating data provided electronically by the University in an effort to define and size the primary student market.

C. Focus Groups – Concept Development

1. **Develop a Moderator's Guide.**
2. **Conduct 4-6 Focus Group Interviews** with students at the University from a variety of demographic and special-interest groups. Experienced B&D moderators will lead the groups.
3. **Develop a Focus Group Report** using the findings to evaluate housing demand, amenity expectations, fee levels, and other critical issues, as well as to help inform the survey instrument development.

D. Off-Campus Market Analysis

1. **Analyze the Off-Campus Demographics** utilizing U.S. Census data and third-party research.
2. **Conduct an Analysis of Local Housing Market Statistics** to gauge an understanding of the off-campus marketplace by examining regional economic and housing trends. This analysis will include an examination of campus and regional mass transit systems serving on-campus and off-campus housing neighborhoods.

3. **Interview Rental Agents and Brokers** to develop a better understanding of where students are currently choosing to live, what kinds of amenities they are expecting and finding in the local market, and what market forces are at play in the region that may affect the supply of, and demand for, relevant types of housing.
4. **Tour Relevant Neighborhoods and Developments** to compile documentation identifying and assessing interior and exterior amenities offered, price structure, access to campus, and other pertinent features. This inventory will allow us to evaluate the range of changes that the University might consider in order to compete more effectively with off-campus housing sources.
5. **Review Local Market Housing Conditions & Trends** to obtain perspective on the viability of market rate housing proximate to campus, relative demand for housing options, housing projects in the pipeline, city/county zoning regulations, vacancy rates, and rental rates.

E. and F. **Survey Implementation and Survey Analysis**

1. thru 4. **Internet-Based Survey** to test the demand for living on campus versus off campus, gauge the sensitivity to specific room fee levels among the primary target population groups, and determine features of housing accommodations that would draw non-residents into campus housing. B&D will utilize our vast experience in surveying campus populations to determine housing facility demand and related issues to develop a survey instrument tailored to the needs of the University. B&D will develop the survey instrument and will enter the survey response data into a statistical analysis software system.

To review a sample B&D Internet survey, please visit the following Web site:

www.facilityplanners.com/survey/sample/

B&D's surveys are Section 508 compliant, which means they are fully accessible to people with disabilities.

B&D will apply its Demand-Based Program Modeling methodology to project demand requirements for each housing type based on demand as demonstrated by survey results.

- a. **Develop a Housing Demand Model** by using B&D's proprietary Demand-Based Program Modeling methodology to project demand requirements for each housing type based on demand as demonstrated by survey results

- b. **A Demand-Supply Reconciliation** will be completed.
- c. **Analyze Price Sensitivity** issues that would influence the demand for on-campus housing.
- d. **Concept Development and Refinement** will be completed by utilizing B&D's survey information and Demand-Based Program Modeling to predict demand for varied housing types and to project the most cost-effective and strategically advantageous space programs for on-campus facilities.
- e. **Develop Overall Housing Strategy Recommendations** by suggesting housing phasing strategies by level of schooling to help retain students in the housing system. This phasing strategy may include possible construction and renovation projects whose viability will be supported by our financial analysis and financial structuring recommendations.

G. **Decision Support and Documentation**

- 1. **Project Management** to ensure coordination with the University at every phase of the project through travel, conference calls, and other PM requirements.
- 2. **Quality Control** to ensure that the final report is well-polished and free from inconsistencies. Every aspect of the document will be carefully reviewed by B&D's Senior Quality Control Officer.
- 3. **Attend and Lead Working Session.**
- 4. **Draft and Revise the Final Report**, which will serve as the main project deliverable, including an executive summary, all analysis conducted for the project, and all data collected.
- 5. **Draft Final Presentation.**
- 6. **Make a Presentation to the Campus** of the final findings and recommendations offered in the final report.

Optional Services

A. **Competitive Context Analysis**

1. thru 3. **Conduct a Competitive Context Analysis** by identifying peer institutions as well as other national model programs, and perform a telephone survey of their housing departments. Our analysis will clarify the University's current market position relative to its closest competitors with regard to the quality and quantity of student housing and campus life, illustrate successful features of model housing programs nationwide, and demonstrate which measures the University might take in order to strengthen its competitive standing.

B. **Detailed Financial Analysis**

1. **Model Development** to achieve a strategy for financing the project. The financial model will be constructed with a 10-year operating pro forma that will allow project debt capacity to be tested under a range of assumptions.
2. **Create Long-Term Revenue Projections** by utilizing past operating statements and the Demand-Based Program Modeling as previously discussed to project occupancy rates, future rent levels, additional income, and other sources that may be identified during the analysis.
3. **Identify Long-Term Operating Expense Projections and a Staffing Plan** by using the University's records, preliminary staffing plans, anticipated usage/activity levels, interviews with University staff, and proposed building configurations to project building-specific operating costs.
4. **Construct Financial Pro Formas (project income statements)** with a 15-year operating time horizon allowing for fluctuations in enrollment, different financial structure, renovation and new construction costs, minor repair and renovations costs, expected rental income, and supplemental income.
5. **Perform Sensitivity Analyses** and conduct research with financial underwriters to identify the optimal financial structure for the project.
6. **Produce a Comprehensive Housing Model** describing the full financial picture of the University's housing physical plant subsequent to improvements recommended by B&D.

Fees

The fee to complete the market study is \$40,395 plus expenses "not to exceed" \$5,324.

Task Categories	Total
Phase I - Market Study	
A. Project Initiation	\$5,670
1 Review Document & Data Materials	
2 Tour of Existing Facilities & Campus	
3 Conduct Administrator Interviews	
4 Strategic Asset Value Analysis	
B. Preliminary Analysis	\$1,060
1 Demographic Analysis	
C. Concept Development Focus Groups	\$4,420
1 Develop Moderator's Guide	
2 Conduct Interviews	
3 Prepare Focus Group Report	
D. Off-Campus Market Analysis	\$8,020
1 Off-Campus Demographics	
2 Local Housing Market Analysis	
3 Rental Agent and Broker Interviews	
4 Tour of Relevant Neighborhoods and Developments	
5 Review of Local Housing Market Conditions & Trends	
E. Survey Implementation	\$2,665
1 Development of Survey Strategy	
2 Development of Draft Survey	
3 Field Test Survey	
4 Coordination with Client	
F. Survey Analysis	\$8,750
1 Statistical Analysis	
2 Demand-Based Programming	
3 Graphs and Charts Development	
4 Survey Write-up	
G. Decision Support & Documentation	\$9,810
1 Project Management / Team Coordination	
2 Quality Control	
3 Working Session	
4 Draft Final Report	
5 Draft Final Presentation	
6 Final Presentation	
TOTAL FEES	\$40,395

Reimbursable Expenses	Unit Cost	Unit Type	Number	TOTAL
1 Ground Transportation	\$120	Trip Days	6	\$720
2 Meals	\$35	Trip Days	8	\$280
3 Survey	\$1,700	Web Hosling	1	\$1,700
4 Communications (Fax, Phone, Overnight, Duplications, etc.)	Allowance		1	\$1,000
5 Other Direct Costs & Incidentals (Gasoline, Supplies, etc.)	Allowance		1	\$700
6 Contingency @ 10%				\$440
7 B&U Administration Fee @10%				\$484
Total Estimated Reimbursable Expenses				\$5,324

Fees: Optional Services

If you deem that there is a need, we are fully capable of providing the following optional services (competitive context analysis, financial modeling) to augment our market study findings.

Task Categories	Total
Optional Services	
A. Competitive Context Analysis	\$4,420
1 Web & Third Party Search (8 schools)	
2 Phone Interviews	
3 Benchmark Level Interview & Data Analysis	
B. Financial Modelling	\$11,370
1 Model Development	
2 Revenue Projections	
3 Operating / Staffing Cost Projections	
4 Financial Pro Forma	
5 Sensitivity Analysis	
6 Program/Model Reconciliation	
TOTAL FEES	\$15,790

Schedule

We anticipate a two-phased schedule—the first of which occurs during the summer, and the second of which occurs when students return in the fall:

	July	August	September	October	November
Phase I: Market Study					
Project Inillation		★			
Preliminary Analysis					
Concept Development Focus Groups			★		
Off-Campus Market Analysis					
Survey Implementation					
Survey Analysis					
Final Report					
Final Presentatlon					★

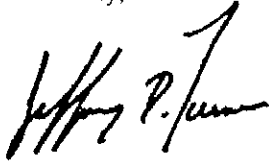
★ - B&D on campus

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David and Richard, thank you again for the opportunity to present this proposal. If you have any questions, feel free to call me at (202) 289-4455. We look forward to talking again soon.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. Turner". The signature is written in a cursive style with a large, prominent initial "J".

Jeffrey D. Turner
Senior Vice President