

July 12, 2024

ITEM 213-1002-R0724

Request for Authorization to Construct a New Residence Hall; University of Montana-Missoula

THAT

Consistent with MCA 20-25-302, MCA 18-2-102(2)(b) and in accordance with Board of Regents Policy 1003.7, the Board of Regents of the Montana University System authorizes the University of Montana – Missoula to expend up to \$89,000,000 to construct a new residence hall on the University of Montana, Missoula campus.

EXPLANATION

1. This item is a request to authorize construction and approve a financing plan for a new 600 bed residence hall at the University of Montana.
2. In 2020, the University of Montana completed a *Student Life Master Plan* which identified the need to improve the existing residence halls and seek solutions for future housing options to meet the needs of student recruitment and retention.
3. The University of Montana has an aging residence hall inventory. Elrod Hall (101 years old), Craig Hall (69 years old) and Duniway Hall (85 years old) have significant maintenance issues and their room sizes are small. These three halls are slated to be removed after completion of the new residence hall to make space for more housing and/or parking. There will be 587 beds lost by the removal of these three dorms.
4. The completion of the Knowles Hall Remodel in Fall 2023 and the new Lodge dining facility by Fall 2024 are part of the Master Plan recommendations.
5. In November 2022, Board of Regents [Item 203-1011-R1122](#) authorized the University of Montana to proceed with planning and design of a new residence hall.
6. Building this new residence hall will allow UM to provide the bed capacity to remove Craig, Duniway, and Elrod while maintaining a 2,053-bed count of newer, better equipped facilities going forward. (see Attachment 1)
7. The location of the new residence hall will displace some existing on-campus parking. UM has developed short and long-term parking strategies to develop new parking lots and mitigate the impact to students. (see Attachment 2)
8. Bids for the construction of the New Residence Hall were received on June 12, 2024. Of the four bids received, the apparent low bidder was at \$67,167,486 including all alternates. With a total project cost of \$89,000,000 (\$5.6M authorized and expended for planning and design, see Attachment 3).

9. Funding for the construction of the project will be paid from a combination of UM housing operating and plant funds, previously issued bond proceeds, and the issuance of new bonds. Later in calendar year 2024, UM will be asking the Board to approve the issuance of approximately \$63,000,000 PAR amount of new UM Revenue Bonds. Based on recent market conditions, such an offering is estimated to produce net project funds of approximately \$69,000,000.

Revenue bond proceeds – existing	5,600,000
Housing operating funds	14,400,000
Revenue bond proceeds – new	<u>69,000,000</u>
Total	\$89,000,000

10. The University of Montana requested an analysis from two separate parties of its capacity to issue additional debt and maintain its Aa3 credit rating from Moody’s Investors Service. Morgan Stanley and an independent advisor, Janney, both estimated that the issuance of additional debt to finance this project was not likely to result in a negative credit action by Moody’s. UM management also discussed the planned Residence Hall Project (and an estimated amount of additional borrowing) with Moody’s ratings analysts before their recent credit update report. With knowledge of the planned project and borrowing, Moody’s affirmed UM’s Aa3 credit rating in their May 28, 2024 report. Management has also analyzed pro forma debt service coverage ratios including additional financing, and has concluded that relevant metrics will remain competitive to similarly-rated peers. The financing of this project is not contingent on future residence hall rate increases (see Attachment 4).

ATTACHMENTS

- Attachment #1: New Residence Hall Site Plan
- Attachment #2: Parking Strategies
- Attachment #3: Project Details (BOR Policy 1003.7)
- Attachment #4: Financial Review