LSU Nicholson Gateway Development Project

A transformative redevelopment of the Nicholson corridor at Louisiana State University

- Student housing
- Student-focused retail
- Student recreation center
- Innovative P3 development model
- Saving money and time

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Nicholson Gateway Development Project Fact Sheet

The Project is a public-private partnership (P3) between Louisiana State University, the LSU Property Foundation, RISE: A Real Estate Company, and Provident Resources Group to design, build, finance, operate, and maintain new student residence halls and other amenities.

NICHOLSON GATEWAY PROJECT SCOPE

- 28-acre site of the Nicholson Drive Corridor
- 1,531 beds for upper class and graduate students
- 422 beds for first-year students (in Spruce Hall)
- 38,000 sf of student-focused retail space
- 10,000 sf of University Recreation space
- 1,625 parking spaces in surface and structured parking, of which 1,353 are for student residents
- $218 Million new revenue generated for LSU housing and related purposes over 40 years

PROJECT DEVELOPMENT

- $214.9 million estimated total development cost
- **RISE: A Real Estate Company**, is the developer, responsible for the design, construction, and timely delivery of the project
- **RISE** is responsible for heavy liquidated damages if the project is not completed on time

PROJECT FINANCING

- **No taxpayer funds or state general fund appropriations are used**
- $34.6 million estimated capitalized interest and financing costs
- **Provident-Flagship**, a private non-profit, will issue tax exempt bonds (with a few taxable bonds due to the retail component) through the **Louisiana Public Facilities Authority**
- 40 year lease/lease-back**. LSU** will lease the facilities from Provident-Flagship. LSU's obligation is limited to its auxiliary revenues, subordinate to LSU's pledge of revenues to its general bond obligations
- **LSU** will receive all surplus revenues generated by the project
- **LSU** will leverage an estimated $2 million per year of these self-generated funds to expand development operations, including funding for its capital campaign, under a cooperative endeavor agreement with the LSU Property Foundation. LSU projects a $5 for $1 return.

PROJECT OPERATIONS

- **LSU** will handle all residential life and IT operations to provide a seamless experience to students
- **RISE** will handle the physical maintenance and operation of the buildings and grounds
- **Provident-Flagship**, as owner of the buildings and the borrower, will be responsible for maintaining the project accounts and complying with all bond, tax, and reporting obligations
- There will be a Maintenance Reserve Account to ensure that the project is properly maintained

STUDENT IMPACT

- On-campus residents have greater success. For students living on-campus their first year:
    - 6 year graduation rate is 14 percentage points higher than off-campus residents
    - Retention rate to 2nd year is 5.4 percentage points higher than off-campus residents
    - GPA is 4% higher than off-campus residents
- Market studies show demand for 3,800 additional beds for upper class and graduate students. This project is conservative, planned to meet just 31% of forecasted demand
- LSU needs new first-year beds to grow enrollment
- Higher enrollment and retention rates will improve LSU's overall financial condition

OTHER NOTES

- Ownership of the assets reverts back to LSU at the end of the 40 year ground lease
- Revenue from this project allows LSU to reinvest in its existing housing program, accelerating housing growth campus-wide and promoting student success in retention and graduation rates
- Replacement Housing Project, made possible with surplus revenues generated by the Nicholson Gateway Project, will allow LSU to replace aging 1960s-era housing about 5-10 years faster than possible under traditional state model of development.

RETAIL

- **Student focused**. LSU expects an anchor tenant providing groceries, household goods, school supplies, and other student needs to be included as the first floor of one of the housing units. A separate, stand-alone building will have 5 to 6 tenants, expected to include a restaurant, some fast casual food (ice cream or yogurt shop, etc.), hair styling, and other stores identified as desirable in student surveys
- LSU will sublease all of the retail components to the LSU Property Foundation, who will contract with **Stirling Properties** to recruit, broker, and manage the retail tenants
- LSU must approve all tenants
- Retail rent revenues are only about 7% of the total revenues for the project

WHY A P3 STRUCTURE

- **It's cheaper**. Projected construction cost $27 less per sf in total financing & development costs
- **It's faster**. It cuts 2-3 years off of the development process, because:
    - No capital outlay authorization to use self-generated funds for construction is required
    - A design-build model can be followed, with the owner, architect, contractor, and operator of the buildings all working cooperatively on a compressed time frame to ensure best design, balancing up-front costs with long-term maintenance requirements
    - While state development rules now allow for a design-build process, it is not available for all projects, and has only been used once so far, for Patrick F. Taylor Hall at LSU
- **It accelerates LSU's ability to address deferred maintenance issues**. Because of the accelerated process and the revenue generated by Nicholson Gateway, LSU can replace or renovate much of its older housing stock, which pose deferred maintenance problems, 5 to 10 years faster. For example, under the traditional process, LSU is scheduled to demolish Kirby Smith hall in 2028; under the P3 Replacement Housing Project, LSU can demolish Kirby Smith and open its replacement in 2020.
- **It reduces risk**. The accelerated process reduces the risk of interest and construction rates rising. For a project of this magnitude, an interest rate increase of just .75 percentage points would increase total debt service by $97 million in cumulative interest payments.
- **It avoids the problem of unspent bond proceeds**. Under the traditional state process, LSU must issue bonds before it has bid construction, so LSU is often left with unspent proceeds, which is problematic under the Internal Revenue Code

COMPETITIVE PROCESS

- LSU Property Foundation had an RFP to select B&D/CSRS as Project Manager
- Request for Qualifications – 10 firms sought opportunity to bid on project
- Request for Proposals – of those 10 firms, 5 were invited to make detailed proposals
- Competitive Negotiations – of the 4 firms who submitted proposals, 2 were selected as finalists
- 4 negotiation sessions over 2 months with each finalist
- Each finalist submitted best and final offers, including designs, budget estimates, and fee caps
- RISE was selected, and additional negotiations were held to further lower fees and costs

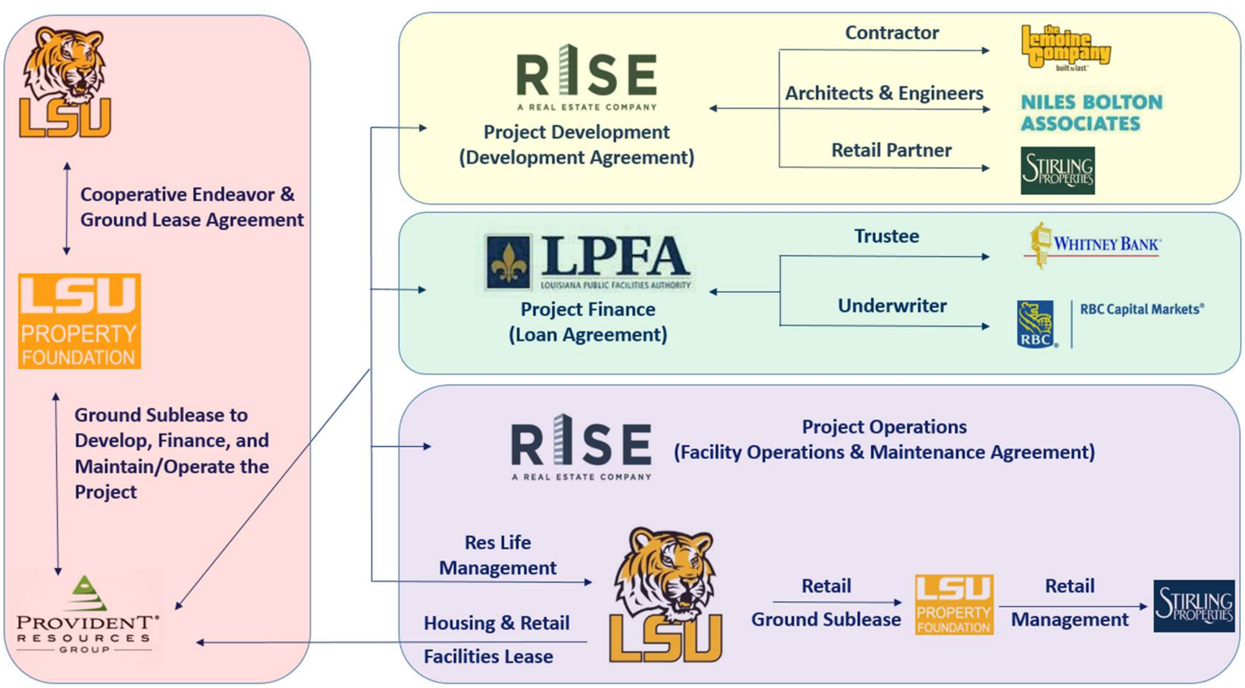
Nicholson Gateway Development Project Deal Structure

PUBLIC PRIVATE PARTNERSHIP OVERVIEW

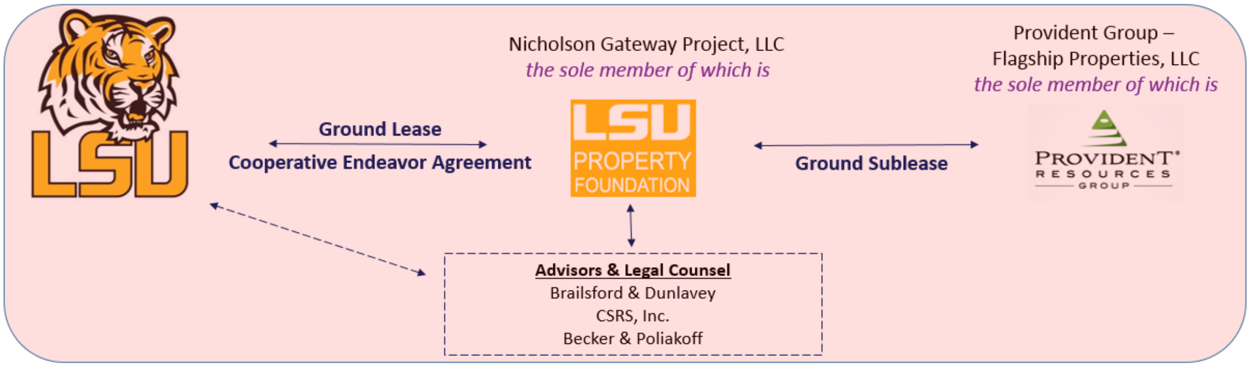
The Project is a public-private partnership (P3) between Louisiana State University (LSU), the LSU Property Foundation (the Foundation), RISE: A Real Estate Company (RISE, a for-profit developer), and Provident Resources Group (Provident, a non-profit entity) to design, build, finance, operate, and maintain new student residence halls and other amenities on the LSU campus. A brief overview of the structure is provided on this page. Subsequent pages provide detailed information about the structure.

To help understand this complex transaction, the deal can be broken down into 4 basic components:

1) **Ground Leases**. LSU will enter into a Cooperative Endeavor and Ground Lease Agreement with NGP, LLC, a subsidiary of the LSU Property Foundation, obligating NGP to cause the development. NGP will enter into a Ground Sublease with Provident-Flagship, a subsidiary of Provident, to cause the development, financing, and operation of the project..
2) **Development.** Provident-Flagship will enter into a Development Agreement with RISE Tigers, LLC, a subsidiary of RISE. RISE Tigers will contract with various architects and engineers to design the project, and with the Lemoine Company to construct the project.
3) **Financing.** Provident Flagship will use a Loan Agreement to borrow the funds needed to develop the project from bonds issued by the Louisiana Public Facilities Authority (LPFA). RBC is the underwriter.
4) **Operations.** Through a Facilities Lease, LSU will lease the entire project from Provident-Flagship, which will be used to secure the bonds. LSU's obligations are limited to its auxiliary revenues, subordinate to LSU's general bond obligations. LSU will rent the units to students and handle the residential life operations. LSU will sublease the retail areas back to NGP, who will contract with Stirling Properties to broker and manage the retail tenants. Provident-Flagship will enter into a Facilities Operations and Maintenance Agreement (FOMA) with RISE Residential to maintain and operate the physical aspects of the building.



GROUND LEASES



Cooperative Endeavor and Ground Lease Agreement (Ground Lease)

LSU leases the land to Nicholson Gateway Project, LLC ("NGP"), a wholly-owned subsidiary of the Foundation, through the Ground Lease. The Ground Lease authorizes and requires NGP to enter into the Ground Sublease (described below) to cause the development, financing, and operations of the Nicholson Gateway Project. The Ground Lease establishes the overall framework for the development, finance, and operations/maintenance of the Project and includes the normal restrictions included by LSU in all leases for campus projects to ensure that under no circumstances can the Project on LSU's campus be used for any purposes other than those specifically authorized by LSU. The Ground Lease includes a Cooperative Endeavor Agreement, which provides the legal consideration for a $2 million transfer of funds to the NGP for its role in the project.

Ground Sublease

NGP then subleases the land to Provident Flagship, LLC ("Provident"), an independent 501(c)(3) created and operated by Provident Resources Group. The Ground Sublease authorizes and requires Provident to develop, finance, and operate/maintain the Project. All of the requirements from LSU in the Ground Lease are carried into the Ground Sublease to ensure that the Project is delivered per LSU's development framework. The Ground Sublease also requires Provident to contract third-party partners to support Project development (Development Agreement), finance (Loan Agreement), and operations/maintenance (Facility Operations and Maintenance Agreement).

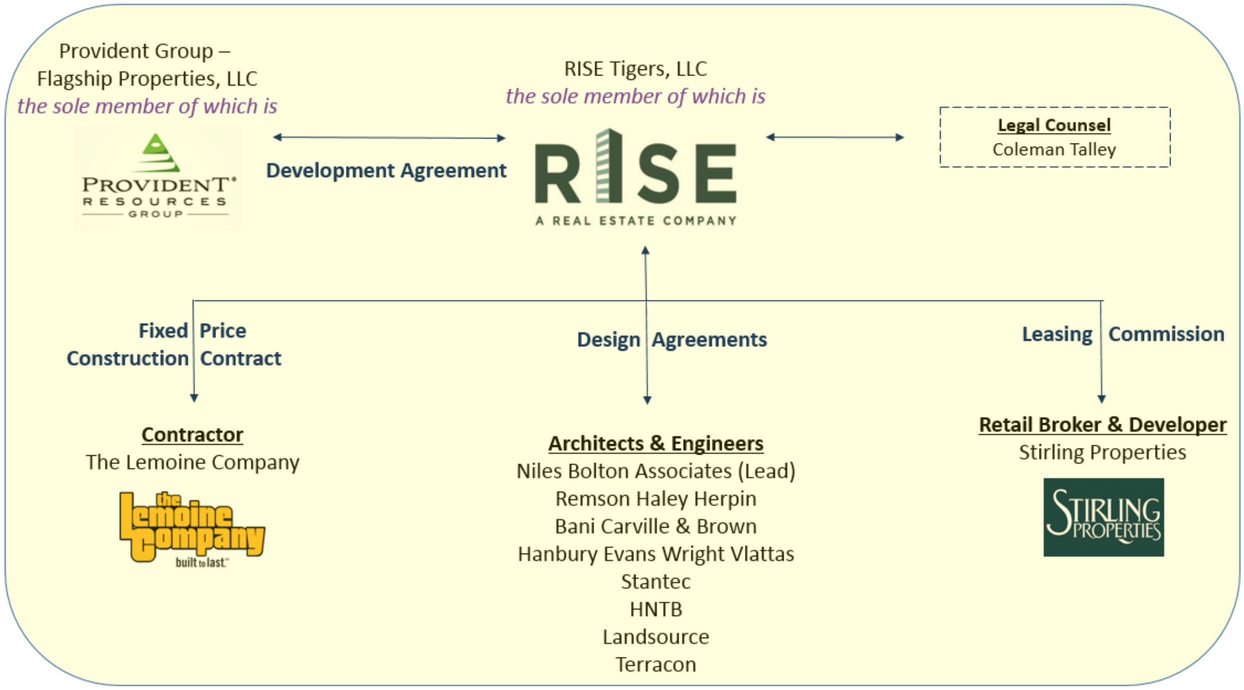
Development Advisors

The LSU Property Foundation, in coordination with LSU and the LSU Foundation, utilized a competitive solicitation process to engage a Development Advisor team of Brailsford & Dunlavey ("B&D") and CSRS. B&D is a national consulting firm that specializes in higher education development, including public-private partnerships and mixed-use campus edge projects. CSRS is a Baton Rouge-based program management firm with significant experience managing large development projects. B&D and CSRS fees are included as Development Costs and are reimbursed to the Foundation at financial close.

Attorneys

Becker & Poliakoff ("B&P") was selected through a competitive process to serve as counsel for the LSU Property Foundation. B&P is based in Florida and specializes in development and construction agreements, particularly in the P3 model. They have been the primary drafters of the legal agreements. B&P fees are included as Development Costs and are reimbursed to the Foundation at financial close.

PROJECT DEVELOPMENT

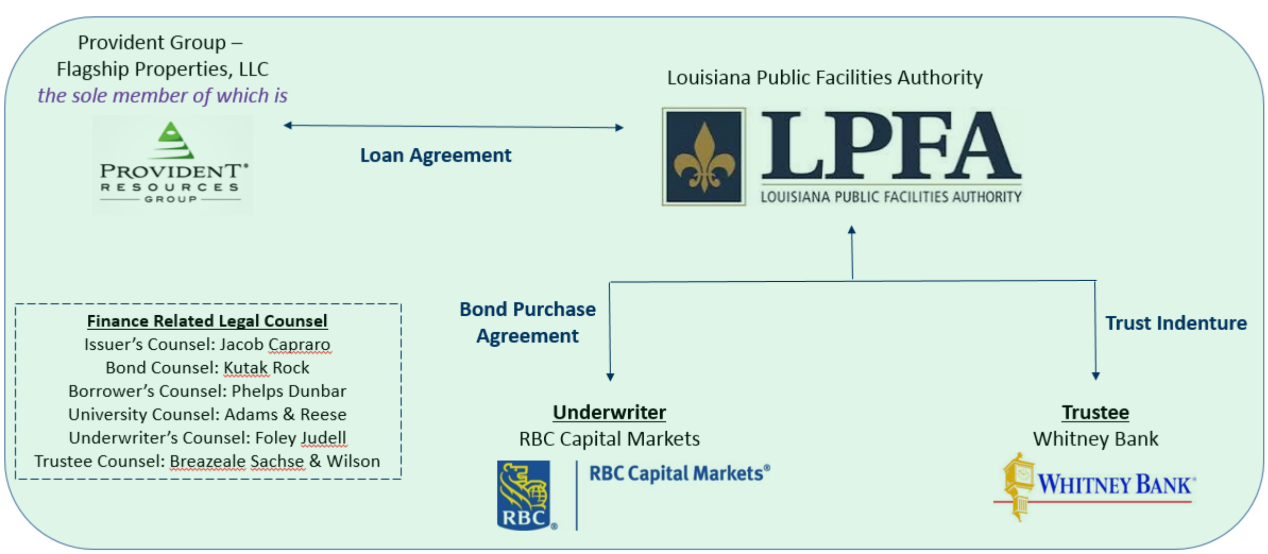


Development Agreement

Provident enters a Development Agreement with RISE Tigers, LLC ("RISE Tigers"), a wholly-owned subsidiary of RISE: A Real Estate Company, to design, construct, and deliver the Nicholson Gateway Project per the terms of the Ground Lease and the Ground Sublease. RISE Tigers engages partners to support the development effort:

- The Lemoine Company to serve as the contractor.
- Niles Bolton Associates to serve as the Lead Architect. Additional architects and engineers to include Remson Haley Herpin, Bani Carville & Brown, Hanbury Evans Wright Vlattas, Stantec, HNTB, Landsource, and Terracon.
- Stirling Properties to serve as the retail broker and developer.
- Coleman Talley to serve as legal counsel.

PROJECT FINANCING



Loan Agreement

Provident enters a Loan Agreement with the Louisiana Public Facilities Authority ("LPFA") to finance the Project by issuing tax-exempt bonds. LPFA engages multiple third-party partners to support Project finance.

- Through a Trust Indenture between LPFA and Whitney Bank, Whitney Bank serves as the Trustee.
- Through a Bond Purchase Agreement with RBC Capital Markets ("RBC"), RBC serves as the underwriter.

PROJECT OPERATIONS

Provident will engage multiple partners to support the operations and maintenance of the Project.

Facilities Operations and Maintenance Agreement

Provident will use a Facilities Operations and Maintenance Agreement ("FOMA") to engage RISE Residential, LLC ("RISE Residential") to provide certain operations and management services and to operate the Project in accordance with certain standards. The FOMA includes key performance indicators to evaluate RISE Residential's performance. The FOMA provides for an annual budget to be agreed upon by both parties, with fee caps and appropriate inflation escalators over time. The NGP and LSU must approve the FOMA.

Retail Sublease

LSU will sublease all retail space to NGP, LLC, with all tenants subject to approval by LSU. NGP will pass through all retail rents received, less a nominal management fee and broker fees. NGP will have a retail brokerage agreement with Stirling Properties ("Stirling") to provide retail management services and to operate the retail portion of the Project in accordance with certain standards. Stirling will receive 4% of gross retail income.

Residential Life Management

Under the Facilities Lease Agreement between LSU and Provident, LSU's Office of Residential Life will provide residence life functions within the Project, including assignments, billing, and programming.

Facilities Lease Agreement

Provident will lease the constructed facilities to LSU through a Facilities Lease Agreement ("Facilities Lease"). LSU's payment obligations under the Facilities Lease are payable solely from LSU's auxiliary revenues. Such payments will be expressly subordinate to LSU auxiliary revenue bond obligations.

The Facilities Lease payment will secure Provident's payment obligations with respect to the bonds issued through the LPFA to finance the Project. As previously noted, the Facilities Lease will also detail the operations and maintenance responsibilities for both RISE Residential and LSU.