

Housing Creation via Nontraditional Approaches

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The University of Vermont

UVM Rationale for Proposals

- Secure additional housing for undergraduates, graduate students, faculty and staff in the near future.
- UVM: 14,300 students and 4,200 employees – everyone needs a place to live.
- Capitalize on opportunities for private partnership.
- Minimize the amount of capital and debt necessary to secure much needed housing.
- Help to meet UVM's housing needs while helping to address the local and state housing shortage.

Catamount Run – South Burlington

Catamount Run at City Center in partnership with Snyder-Braverman

- Designed to serve UVM graduate students, staff, and faculty
- About 320 units (studios, 1 BRs, 2 BRs, and 3 BRs)
- First phase slated for occupancy in Summer 2024
- Second phase to be occupied in Summer 2025
- UVM providing 25% equity - \$28M
- Developer taking full responsibility for the debt
- UVM will own 49% of LLC with eventual return of equity

Catamount Run



Catamount Woods – South Burlington

Project in Partnership with AAM 15 (owners of DoubleTree Hotel)

- Designed to serve UVM undergraduates
- About 184 units (primarily 3 BRs and some 4 BRs)
- Project occupancy either 2025 or 2026 depending on permitting
- UVM providing 24% equity and developer providing 6%
- Developer taking full responsibility for debt
- UVM will own 49% of LLC with eventual return of equity

Catamount Woods

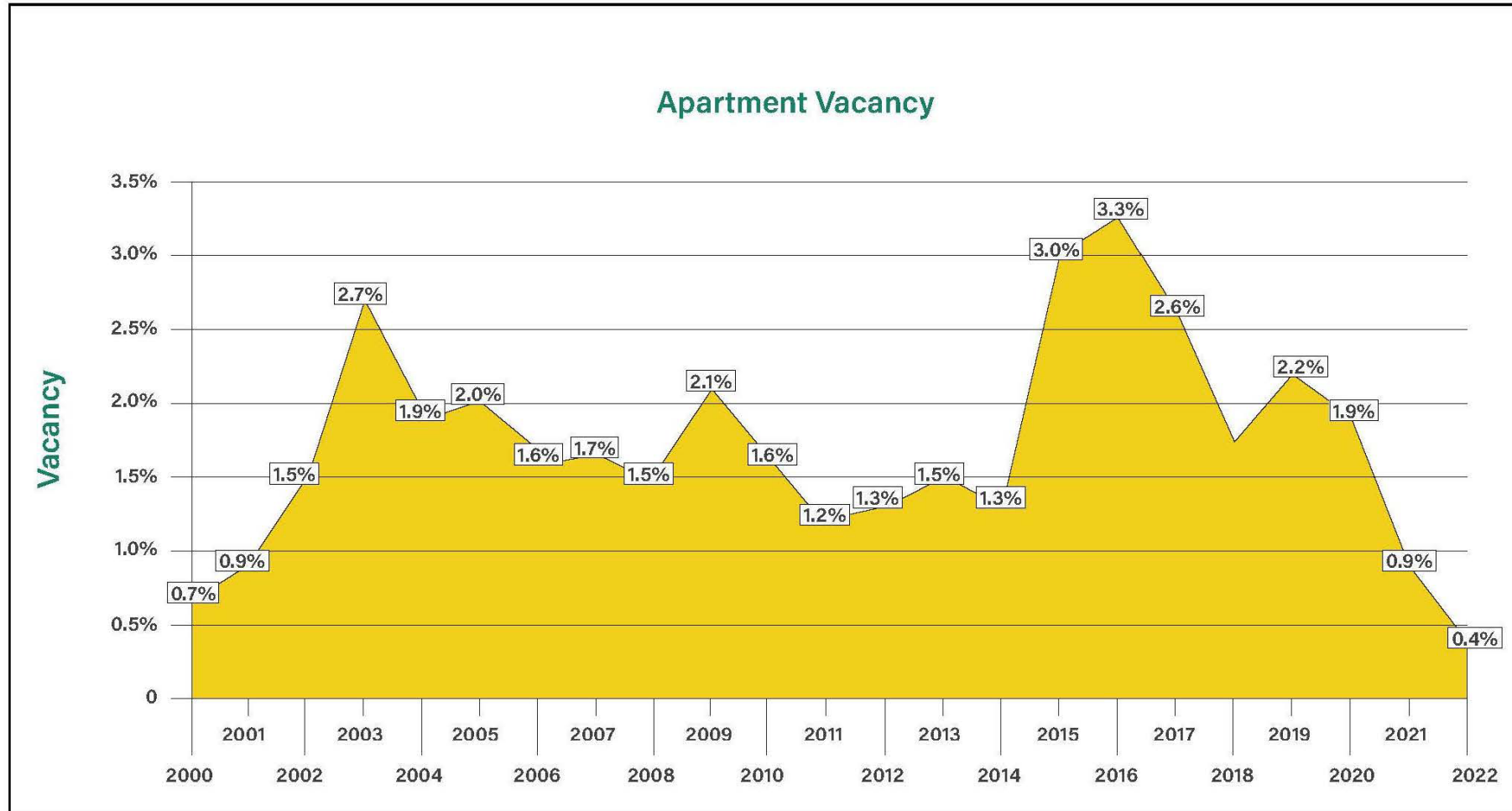


AERIAL VIEW FROM SOUTHEAST

Housing Shortage = Market Failure

- Definition of Market Failure – “Inefficient distribution of goods and services in the free market” (<https://www.investopedia.com/terms/m/marketfailure.asp>)
- Why housing (variable by regions)?
 - Construction labor (tradespeople) shortage drove up cost
 - Pandemic-induced supply chain shortages drove up cost, and much of this increase remains
 - Low interest rates incentivized investor purchases of homes driving up prices
 - Current high interest costs have increased the cost of financing housing
 - In some markets, such as Burlington, VT, a lack of open land within the community can drive up the cost as well

Chittenden County Apartment Vacancy Rate



Allen, Brooks, & Minor, Apartment Survey, Chittenden County, VT. 2022.



UVM Usage of Bonds to Fund Projects

- Unlike most flagship public universities, UVM's capital projects are funded almost entirely from its debt and cash reserves.
- Because Vermont and its economy are very small, the State is able to provide only about \$1.5M/year of capital support.
- UVM's current outstanding debt is about \$540M
 - Long history of issuing bonds to fund capital projects.
 - Almost all outstanding debt is comprised of bonds (fixed rate).
 - Bond refundings since 2012 have resulted in over \$50M in present value savings.

Why Not Use Bonds for the Catamount Housing Projects?

- All UVM debt is general obligation debt – cannot issue revenue bonds.
- Current debt ratio is 5%; board-imposed cap of 5.75%.
- Current ratings are Aa3 (stable outlook) and A+ (positive outlook) – do not want to adversely affect them.
- Want to retain debt capacity for future academic facility renovation projects that may be needed.
- Housing projects generate the revenue to fund associated debt service.
- There are more partnership opportunities with housing projects.
- The higher education environment may change in the future and, unlike academic buildings, apartment-style housing can easily be repurposed.

Questions