Project Description: Florida Gulf Coast University currently has 1,902 students housed in North Lake Village in Student Residences Phase I through VII on the main campus of the University. The proposed Student Residences, Phase VIII project will be the first student housing in the South Lake Village Residence Life Enhancement Project and will provide an additional 391 beds (380 rentable beds) to the housing system for a total of 2,282 rentable beds. The project will be constructed as a five story building and will consist of private bedrooms and baths, offices, reception, study, lounge, laundry, and mechanical space.

The build-out for this parcel of land will ultimately house approximately 3,000 students and will include a central plant, play fields, shop space, and parking decks. The project is included in the 2000 Campus Master Plan Update, and also the 2005 Campus Master Plan Update.

Project Cost and Financing Structure: The proposed Student Residences, Phase VIII project construction cost is $20,979,359. The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida Gulf Coast University Financing Corporation in an amount not to exceed $25,000,000. The bonds will be structured with a 30-year final maturity and level annual debt service payments with the first principal payment occurring in April 1, 2010. The bond size includes capitalized interest during the 19-month construction period through October 2008 and also provides funding for a debt service reserve fund equal to the maximum annual debt service on the bonds. Construction of the project will be administered by the Florida Gulf Coast University Financing Corporation under the supervision of Florida Gulf Coast University which is consistent with construction of previous University housing phases. (See Attachment 1 for an estimated sources and uses of funds.)

Type of Sale: The University provided an analysis of the most appropriate method of selling the bonds (competitive versus negotiated) as required by the Debt Management Guidelines. The University is requesting
approval for a negotiated sale of the bonds. However, several factors indicate that a competitive sale of bonds may be the best method of sale for obtaining the lowest interest rates.

**Facility Site Location:** The proposed Student Residences, Phase VIII project will be located in the south portion of the main campus of Florida Gulf Coast University in an area planned for student residence expansion (South Lake Village).

**Demand Analysis:** The primary targeted market for Student Residences, Phase VIII will be traditional single, undergraduate, graduate, and professional students with particular emphasis on the University’s growing “first time in college” student population.

Florida Gulf Coast University student headcount enrollment has increased from 2,585 in 1997-1998 to 8,431 for 2006-2007. The first-time-in-college student enrollment has grown from 864 in Fall Semester 2002 to 1,664 in Fall Semester 2006.

Currently, the University houses 1,902 students in Student Residences, Phase I through VII. Over the past eight years, seven phases of student residences have been built at a rate of almost one phase per year. Year 2006 is the first year with no expansion of housing opportunities on the campus.

The University continues to enjoy strong demand by new students with enrollment increasing from 1,940 FTE in fiscal year 2000-2001 to 4,313 FTE in fiscal year 2005-2006. Since the housing system was established in 1998-1999, average occupancy rates have ranged from 93% to 100%, with an average occupancy rate of 99.7% in Fall Semester 2006.

In Fall Semester 2006, approximately 500 students seeking on campus housing were turned away because of lack of available housing facilities. The campus is located in an area of Lee County experiencing rapid growth, none of which is designed to accommodate student residences.

**Security/Lien Structure:** Net housing system revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, damage deposit forfeitures, summer special event rentals, and other miscellaneous collections after deducting operating and maintenance expenses. When the facility opens in Fiscal Year 2008-2009, the projected rental rate for Fall and Spring Semesters is $2,345 per bed, per semester, and $1,660 per bed for the Summer Semester.
These rates are consistent with single room rental rates for the existing facilities.

The Series 2007A Bonds will be issued on parity with the current outstanding Florida Gulf Coast University Financing Corporation Capital Improvement Revenue Bonds, Series 2003, and Series 2005A, currently outstanding in the total principal amount of $53,700,000.

**Pledged Revenues and Debt Service Coverage:**

For fiscal year 2008-2009, the first year of operation, the project is expected to generate pledged revenues of $1,435,517, which would produce a debt service coverage ratio of 1.44x. For the entire system, during the past five year period from fiscal year 2001-2002 to 2005-2006, pledged revenues grew from $1,749,470 to $5,255,055 resulting in debt service coverage which ranged from 2.07x to 4.61x. For fiscal years 2006-2007 to 2010-2011, pledged revenues for the system are projected to grow from $5,977,594 to $8,826,050 with coverage of 1.60x in 2006-2007 to 1.46x in 2010-2011. It has been assumed that interest on the bonds during the 19-month construction period through October 2008 will be provided from proceeds of the bonds. In fiscal year 2008-2009, the first year the facility is expected to be open, the debt service coverage ratio for the housing system is projected to be 1.59x. In fiscal year 2009-2010, the debt service coverage ratio for the Housing System is projected to be 1.41x. This is the first year that a full 12 months of debt service will be paid on the bonds after capitalized interest has been expended.

The projected debt service coverages have been calculated using an interest rate of 6% on the bonds through the maturity date of April 1, 2037. The projected revenues are based, in part, upon a 5% annual rental rate increase through Fiscal Year 2010-2011. (See Attachment 2 for 5-years historical and 5-years projected pledged revenues and debt service coverage prepared by Florida Gulf Coast University Financing Corporation).

**Projected Start and Opening Date:**

It is anticipated that construction of the Student Residences, Phase VIII project will commence in February 2007 and will be available for occupancy in August 2008.

**Analysis and Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by Florida Gulf Coast University Financing Corporation with respect to the request for Board of Governors approval for the subject financing. Based on a review of the information provided, it appears that demand for the existing
and proposed housing is adequate to support construction of additional student housing. Additionally, the student housing system has historically generated positive debt service coverage and is projected to continue to provide adequate debt service coverage in the future based on what appear to be reasonable assumptions as to revenue and expenditure growth. Based upon a review of the information provided by the university, it appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines. Accordingly, adoption of the resolution authorizing the proposed financing is recommended.