Project Description: Florida Gulf Coast University currently has 3,693 available beds in North Lake Village and South Village in Student Residences Phase I through XII on the main campus. The University also has a 504 bed apartment complex located approximately one mile from the campus center. The proposed Student Residences, Phase XIII project will be the fifth student housing facility in the South Lake Residences and will provide an additional 520 beds to the housing system for a total of 4,717 rentable beds. The project will be constructed as a suite-style, six story building and will consist of private bedrooms and baths, offices, reception, study, lounge, laundry, and mechanical space.

Facility Site Location: The proposed Student Residences, Phase XIII project will be located in the south portion of the main campus of Florida Gulf Coast University in the same area as student residence Phases VIII, IX, X and XII, which opened in fall 2012. This area of campus was recommended in the Master Plan for the development of “undergraduate student housing, a dining center serving the residents of this district, a student recreational facility, intramural play fields, and parking structures to support the residential population”.

Projected Start and Opening Date: It is anticipated that construction of the Student Residences, Phase XIII project will commence in February 2013 and will be available for occupancy in August 2014.

Demand Analysis: The primary targeted market for Student Residences, Phase XIII will be traditional single, undergraduate, students with particular emphasis on the University’s growing transfer and upper class student population.

Florida Gulf Coast University student head count enrollment has increased from 2,584 in 1997-1998 to 12,670 in 2011-2012. The growth rate over the past five years has been 13%, 9%, 8%, 8%, 5% (fiscal years 2007-2008 through 2011-2012) and is projected to be up to 6% in fiscal year 2012-2013. The first-time-in-college student head count
enrollment has grown from 864 in Fall Semester 2002 to 2,581 in Fall Semester 2011.

Eleven phases of student residence facilities have been built and one acquired over the past twelve years. Since its inception in 1998-1999, the housing system’s average occupancy rates have ranged from 93% to 102%. As of Fall 2011, the rate remained near the high end of the range, with an average occupancy rate of 100.03%.

In Fall Semester 2011, over 100 students seeking on-campus housing were turned away due to lack of available housing facilities. Even with the opening of a new 520-bed facility, there are 60 students on the waiting list for Fall 2012. The number of student housing applications increased 13% over the previous year’s applications. Historically, the University has been able to fill a new residence facility when a waiting list formed the previous fall, as is the case in fall 2012. This is due to continued growth in University enrollment and the lack of private, non-university housing facilities located near the University to accommodate this growth. Given FGCU’s continued growth in enrollment and that it takes two years to bring a new facility on line, the University believes it prudent to begin to finance, plan and construct additional student housing beds. The Phase XIII 520-bed facility is the next facility in the master plan for student housing.

**Project Cost and Financing Structure:**

The proposed construction cost is estimated to be $25,704,839. Construction will be accomplished through a guaranteed maximum price contract. The project will be financed with fixed rate revenue bonds issued by the Florida Gulf Coast University Financing Corporation in an amount not to exceed $30,000,000. The bonds will be structured with a 30-year final maturity and level annual debt service payments with the first principal payment occurring in February 1, 2015. The bond size includes capitalized interest during the construction period through July 2014. Operation of the project will be administered by the University Residence Life program under the supervision of Florida Gulf Coast University which is consistent with the operation of previous University housing phases. (See Attachment 1 for an estimated sources and uses of funds.)

**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 2014-2015, the projected rental rate for fall and spring semesters is $3,228-$3,340 per bed, per semester, and $2,163 per bed for the Summer Semester. These rates are consistent with single room rental rates for existing facilities at FGCU.

The Bonds will be issued on parity with the housing debt currently outstanding in the total principal amount of $170,180,000. Of this amount, $27,725,000, or 16%, is variable rate debt, with associated LOCs which expire no sooner than May 9, 2013.

To mitigate the liquidity risk, the Corporation has obtained letters of credit from Wachovia, Harris and Bank of America that expire in 2013 through 2015. The letters of credit have a three year evergreen provision that requires the University be provided a notice of non-renewal each year or the letter of credit will automatically renew for an additional year. These provisions effectively provide the University with two years to secure another letter of credit or other form of guarantee in the event of a non-renewal. With regards to reducing interest rate risks, the University actively manages its variable rate debt by monitoring interest rates on a continuous basis, budgeting conservatively high interest rates (currently budgeted at 4.0%), and providing a hedge with short-term investments. Currently, there is over $15 million in cash reserves from student residence facility revenues, providing a hedge for approximately one-half of the Housing System variable rate debt and sufficiently supporting at least eight years of variable rate debt service. The University intends to maintain this balance; however, prolonged periods of low interest expense on the variable rate debt portfolio will positively affect the balance. The earliest expiring LOC, in the amount of $7,000,000, will expire on May 9, 2013. The university recently renewed an existing LOC and anticipates no difficulty renewing this LOC in 2013.

The Corporation has total outstanding debt in the amount of $197,865,000, of which $46,190,000, or 23%, is variable rate.

**Pledged Revenues and Debt Service Coverage:** For fiscal year 2014-15, the first full year of operation, and for fiscal years 2015-16 and 2016-17 the project net revenues are expected to produce debt service coverage ratios of 1.71x, 1.26x and 1.26x, respectively.
During the past six year period from fiscal year 2005-2006 to 2010-2011, pledged revenues of the housing system grew from $5,255,055 to $11,805,145 resulting in debt service coverage which ranged from 1.82x in 2005-2006 to 2.03x in 2010-2011. For fiscal years 2011-2012 to 2015-2016, pledged revenues for the system are projected to grow from $12,625,837 to $19,341,640. It has been assumed that interest on the bonds during the construction period through July 2014 will be capitalized. Debt service coverage for fiscal year 2011-12 was 1.32x, and projected coverages during the construction period are 1.50x in fiscal year 2012-2013 and 1.44 in fiscal year 2013-2014. In fiscal year 2014-2015, the first year of operation, the debt service coverage ratio for the housing system is projected to be 1.46x which includes a full 12 months of interest, and coverage in 2015-2016 is projected to be 1.42x.

The projected debt service coverages have been calculated using a fixed interest rate of 5.00% on the bonds through the maturity date of February 1, 2043. The projected revenues are based, in part, upon a 1-2% annual rental rate increase through Fiscal Year 2015-2016 for existing housing facilities and a 1% annual rental rate increase for the new facility. (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).

**Type of Sale:**
The University is planning to sell the bonds competitively.

The University used a RFP process to select a financial advisor with experience in structuring competitive deals.

**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 with respect to the request for Board of Governors approval for the subject financing. System Revenues have historically generated positive debt service coverage and are 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. Also, 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, staff of the Board of Governors
recommends adoption of the resolution authorizing the proposed financing.