STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida State University
Student Residences
New Dorman Complex

Project Description: The proposed project will consist of two buildings of approximately 193,116 square feet each and approximately 431 beds per building, for a total of approximately 862 beds, arranged in suite-style double rooms with a connecting bathroom (the “Project”). The purpose of the Project is to replace existing aging housing facilities with more desirable accommodations to meet the needs of today’s students. The design of the facility is comparable to the other suite-style facilities on campus including Broward, Bryan, Cawthon, DeGraff, Gilchrist, Jennie Murphree, Landis, Reynolds and Wildwood Halls. The normal support spaces associated with this kind of facility such as common student lounge, recreation room, TV lounge, furniture storage and administrative offices are also included. Laundry and vending service areas are also expected to be added.

In addition to the amenities typically associated with residence halls, FSU offers student life programming that includes one Resident Assistant per 45 students and two classrooms for academically generated living-learning communities. This ratio of 45:1 is comparable to staffing in the other FSU halls. A residence coordinator, an administrator and a professional position will provide live-in staffing of the Project. The coordinator, assisted by a grad student, is available 24 hours a day to respond to emergencies, coordinate programs, distribute information to students, and provide referral services. The Project will be administered by Florida State University.

Facility Site Location: The Project will be located on the main campus of the Florida State University (FSU) at the southeast corner of Woodward Avenue and Traditions Way. This site is located in close proximity to academic and student services buildings and completes the chain of residence halls on the east side of campus. This location is consistent with the campus master plan.

Projected Start and Opening Date: It is anticipated that construction will begin in August 2013. The Project is scheduled to open for the fall term in August 2015.
Quantitative Demand and Construction Analysis:
The Project will house undergraduate students, focusing primarily on first-time-in-college (FTIC) students. The current capacity of the housing system is 6,408. Total enrollment for Fall 2012 was 41,110, including 31,943 undergraduates, of which 5,736 were FTIC students. Approximately 90% of undergraduates attend full-time, and although 89% of students are from Florida, a majority of in-state students are from central and south Florida rather than the Tallahassee area. The FSU Master Plan includes a goal to house 20% of both undergraduate and graduate students. University housing also has an informal goal to house all FTIC students who desire to live on-campus. The 6,408 beds for undergraduate students plus an additional 972 beds in two University apartment facilities that are not part of the system and house graduate and non-FTIC students, provide a combined 7,380 beds. This is enough to accommodate all FTIC students and approximately 18% of all University students; however, existing demand for on-campus housing by students exceeds the number of beds available.

FSU does not have a policy requiring any students to live on campus, so students are free to choose living accommodations. Even though FSU does not mandate that students live on campus, there has been strong demand for participation in its first-year housing experience. Over the past ten years, occupancy rates for the undergraduate halls have exceeded 100% to begin each fall term. Waiting lists are developed and students are placed in temporary housing until permanent assignments can be identified through attrition. The waiting list for Fall 2012 exceeded 600 at the end of May. Due to the length of the waiting list, housing applications were not accepted after May 1st. FSU estimates several hundred students are turned away from applying for on-campus housing due to this deadline.

Completion of this Project and subsequent demolition of Deviney and Dorman will increase the housing system beds by a net 338, for total beds of 6,746 in 2015-16. Of the current on-campus housing facilities, 1615 beds are in four aging facilities that FSU believes will need to be replaced over time. This Project will enable FSU to replace two of those older traditional, community-style dormitories, Deviney and Dorman (combined student capacity of 524), while maintaining cash flow and service to students. FSU made the determination to replace Deviney and Dorman, built in 1952 and 1959, respectively, on the basis of a building assessment performed
by the ISES Company. A detailed review of building systems and components by ISES indicated that the cost to restore each building was between 50 and 60% of building value. Given the age and configuration of these facilities, replacement was identified as the most cost-effective option. FSU has renovated several historic residence halls on campus, but does not characterize these two halls as historic. FSU is planning a second phase of their efforts to replace aged dormitories after completion of the Project. The second phase would include the construction of another suite-style residence facility to replace Kellum and Smith Halls (combined student capacity of 1,091). The second phase would represent a decrease of approximately 229 student beds. The capacity increase resulting from the completion of both phases would be approximately 109 beds, if fully implemented as currently planned.

Focusing predominantly on housing first-time-in-college (FTIC) students, University housing provides exceptional living opportunities for students to succeed academically, therefore contributing directly to the overall academic mission of the institution. On-campus housing offers enhanced safety and security and the convenience of not having to find parking on campus each day.

Available Private Sector Alternatives:

FSU retained the firm of Brailsford and Dunlavy (B&D) to conduct an independent student housing analysis (Attachment 3). This report confirms that a complementary relationship exists between suite-style rooms available on campus and the apartment-style units available off campus. Approximately 73% of on-campus housing is suite-style, and FSU plans to replace the remaining inventory of traditional community-style dorms. With the exception of two complexes, the off-campus market consists of apartments. In the past, several private residence halls were available, but these have gradually been converted to apartments or other uses. With the exception of the two units mentioned, comprised of 700 beds, the local market is focused on providing apartment-style housing that typically appeals more to the needs of upperclassmen and graduate students. Of the two off-campus private halls, the larger, with 500 beds, has equivalent rental rates to on-campus housing and strong demand. The smaller, private loft-style has lower rental costs than on-campus housing, but no residential life programming.
B&D found that the Tallahassee off-campus housing market is robust; however, these apartment-style facilities are not in direct competition with the residences and the experiences offered by FSU Housing to its on-campus residents. This finding is evidenced by the fact the new facilities currently under construction in the off-campus market are all apartment-style units and is also supported by the reduction of the number of privately-owned dormitories by approximately 50% over the past five years.

National studies have shown that students who live on campus are more connected to the institution, do better academically, and persist to graduation. According to a recent study conducted by FSU’s Office of Institutional Research, retention and 4-year graduation rates for student living on campus during their first semester at FSU were nearly 8% higher than students who lived off-campus.

University Housing at FSU provides a unique student residential experience that is fundamentally different from any other living environment available in the Tallahassee off-campus housing market. The masters level live-in professional staff, coupled with live-in graduate and undergraduate staff are extremely well trained and prepared to respond to individual student needs from adjustment issues associated to the transition to college life to management of more serious individual student crises. Parents want their children to reside on campus particularly during their first year for quality of service, convenience, safety and resources provided.

Through the replacement of aging beds with community-style baths with modern suite-style rooms that meet the needs of today’s students, FSU will position itself to continue to provide an exemplary on-campus living experience and ensure continued demand and the successful persistence of its students through graduation, therefore contributing to the FSU’s overall academic mission.

While FSU has the opportunity to engage the private market for the establishment of a public-private partnership, it would be required to give up financial benefit, building design, and/or operational control. University ownership provides long-term strategic and financial benefits, as well as increased flexibility for FSU.

**Project Cost and Financing Structure:**

The construction of the Project is estimated at a total cost of $55,500,000. Construction costs are estimated at $51,198,442, with
planning and design estimated at $2,971,558 and equipment estimated at $1,330,000.

The Project will be financed with a $10 million cash contribution from excess funds within the housing system and a fixed rate, tax-exempt revenue bond issue in an amount not exceeding $51,400,000 issued by the Division of Bond Finance. The bonds will finance a portion of the cost of the Project, fund a debt service reserve account, if necessary, and pay costs of issuance. The bonds will be structured with a 20-year final maturity and level annual debt service payments with the first principal payment occurring May 1, 2016 and a final maturity date of May 1, 2033.

(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, after deducting operating expenses. The bonds will be issued on parity with the Florida State University Housing Facility and Dormitory Revenue Bonds currently outstanding in the aggregate principal amount of $128,355,000. All costs of the housing program at FSU are completely funded without the use of any state funding.

Pledged Revenues, Debt Service Coverage and Return on Investment:

During the past five years from fiscal year 2007-08 to 2011-12, pledged revenues grew from $15.3 million to $19.2 million. These revenues produced debt service coverage ratios ranging from a high of 1.96x to a low of 1.59x. For fiscal year 2012-13, pledged revenues are projected at $21 million, producing an estimated debt coverage ratio of 2.14x. Pledged revenues are projected to be $22 million and $23.5 million for 2013-14 and 2014-15, with debt service coverage expected to be 1.79x and 1.85x in those years, including interest payments due on the new bonds. The full annual debt service payments for the new bonds, including principal and interest, will begin in fiscal year 2015-16. Pledged revenues for that year are projected to be $27.7 million with debt service coverage projected to be 1.91x.

The Project is expected to significantly increase operating revenue of the housing system. The projected rental rate for the Project is $3,370 per semester, per bed. The rate projection is based on the current
suite-style rate, with annual 5% increases until the year of completion. Revenue and expense projections assume a 98% occupancy rate for Fall and Spring, and are based on historical collections for Summer. Revenues and expenses of the system are based on assumed 5% annual increases in rental rates, 2% increases in personnel expenses, 3% increases in general operating expenses and 4% increases in utilities. Debt service payments on the new bonds have been estimated using a 5.75% interest rate.

The Project is also expected to provide a positive return with an internal rate of return estimated at 7.76%, based upon the assumptions provided by FSU.

(See Attachment 2 for a table of historical and projected pledged revenues and debt service coverage prepared based upon revenue and expense information supplied by FSU).

**Type of Sale:**

The Division of Bond Finance will make a determination to sell the bonds through either a competitive or a negotiated sale based upon market conditions and financing options available at the time of sale.

**Analysis and Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided FSU 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.