

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
Project Summary
Florida Atlantic University
Innovation Village Apartments**

Project Description: The proposed residence hall will be a multi-story structure designed in an “apartment style” with private single bedrooms arranged into four bedroom suites. The suites will also contain a living room, dining area, kitchen and at least two bathrooms. The proposed project will add approximately 600 beds to the existing housing system for a total of over 3,000 beds.

The project is consistent with the Campus Master Plan and Campus Development Agreement.

Facility Site Location: The proposed residence hall project will be located on the north side of the Boca Raton campus of Florida Atlantic University in an area designated as “Innovation Village.”

Other components planned for the Innovation Village site include the stadium, arena, parks and plazas, as well as additional residential units in the future.

Projected Start and Opening Date: The design phase of the project commenced in January 2008, with construction scheduled to begin in July 2008. The residence hall will be available for occupancy in August 2009.

Demand Analysis: The primary targeted market for the proposed residence hall will be traditional single, undergraduate and graduate students.

Currently, the University housing system contains approximately 2,525 beds on the Boca Raton campus to support 18,186 students. This represents 13.9 percent of the Boca Raton campus student enrollment. The University maintains a waiting list of over 300 students for suite and apartment style accommodations. First-year students are required to live on campus, but insufficiency of available beds has made this difficult to enforce.

Projections call for an increase to over 23,000 students on the Boca Raton campus within the next ten years. For the academic years 2000-2005, the Housing system experienced an occupancy rate of 99%. With the proposed 600 additional beds opening Fall 2009,

housing capacity will increase to 3,125 and will serve approximately 16 percent of campus enrollment. A comprehensive analysis was completed by C.H. Johnson Consulting, Inc and Focus Real Estate Advisors in September 2007. The analysis demonstrates an unmet need of over 1,500 units through 2011 with an immediate need of 600 beds for Fall 2009.

**Project Cost and
Financing Structure:**

The proposed residence hall project construction cost is \$42.3 million with planning, design fees, furniture and other project costs estimated at \$8.3 million, for an estimated total cost of \$50.6 million.

The project will be financed with fixed rate, tax-exempt revenue bonds, Series 2008, issued by the Division of Bond Finance in an amount not to exceed \$55,300,000 (the "Series 2008 Bonds"). The bonds will be structured with a 30-year final maturity and level annual debt service payments with the first principal payment occurring July 1, 2010. The Series 2008 Bonds are expected to finance the total cost of the project, including design fees, without the contribution of University funds.

The bond size also includes capitalized interest during construction of the project and has been structured assuming the University will fund the debt service reserve requirement with the purchase of a surety bond. If a surety bond cannot be obtained, the University will need to fund the reserve fund from bond proceeds in the amount of maximum annual debt service on the bonds, which is estimated to be approximately \$3.8 million. In that event, to offset the additional funding requirement, the University feels they have sufficient flexibility to reduce the construction budget primarily due to a \$2 million construction contingency which they do not anticipate needing because of recent declines in construction costs. Additionally, they can eliminate non-essential project components, such as the swimming pool.

(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, summer rental income, and other miscellaneous revenues after deducting operating and maintenance expenses. When the facility opens in Fiscal Year 2009-2010, the projected rental rate for fall and spring semesters is \$3,600 per bed, per semester, and \$2,700 per bed for the Summer Semester. These rates are consistent with single room rental rates for existing facilities at FAU and in the State

University System and are competitive with local off-campus housing.

The Series 2008A Bonds will be issued on parity with the current outstanding Florida Atlantic University Housing System Revenue Bonds, Series 2000 through 2006B currently outstanding in the aggregate principal amount of \$82.3 million.

Pledged Revenues and Debt Service Coverage:

For fiscal year 2009-2010, the first year of operation, the project is expected to generate pledged revenues of \$4,436,100, which would produce a debt service coverage ratio of 1.2x. For the entire housing system, during the past five year period from fiscal year 2002-03 to 2006-07, pledged revenues grew from \$4,437,278 to \$6,027,183 resulting in debt service coverage which ranged from a low of 1.24x to a high of 1.56x. For fiscal years 2007-2008 to 2011-2012, pledged revenues for the system are projected to grow from \$9,541,560 to \$15,942,267 with projected debt service coverage of 1.66x in 2007-2008 and 1.66x in 2011-2012. It has been assumed that interest on the bonds through July 1, 2009, will be provided from proceeds of the bonds. In fiscal year 2009-10, the first year the facility is expected to be open, the debt service coverage ratio for the housing system is projected to be 1.53x

The projected debt service coverages have been calculated using a fixed interest rate of 5.50% on the bonds through the assumed maturity date of July 1, 2038. The University has assumed that the projected revenues and expenses will increase by 4% per year.

(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 the University).

Type of Sale:

Competitive

Analysis and Recommendation:

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by Florida Atlantic University with respect to the request for Board of Governors approval for the subject financing. Based upon the information provided, the University feels that with the current lack of adequate housing and projections of demand, the construction of an additional residence hall appears reasonable. The pledged 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. Additionally, the University appears to have an adequate plan for funding the debt service reserve fund if a surety bond is not attainable, while staying within the authorized bond amounts and without jeopardizing the integrity of the project or reducing the number of beds. 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 Governor's recommends adoption of the resolution authorizing the proposed financing.