

**BOARD OF GOVERNORS  
STATE UNIVERSITY SYSTEM OF FLORIDA  
Project Summary  
University of West Florida  
Housing Expansion 2010 Project**

**Project Description:** The proposed housing expansion project will be constructed on the University of West Florida main campus and will provide an additional 250-300 beds to the existing 1,454 beds in the housing system. The project will be constructed as suite-style residences with shared and private bedrooms; and shared bathrooms and common areas. In addition, the new housing facility will provide community space for student learning and programming.

The project is included in the current Campus Master Plan.

**Facility Site Location:** The proposed project will be located in the portion of the main campus of the University of West Florida currently containing the newest of the University's residence facilities, Martin, Pace and Argo Halls. With the completion of the project, UWF will house about 1000 students in this area of the campus, thus creating a residential neighborhood on campus.

**Projected Start and Opening Date:** It is anticipated that construction of the project will commence in June 2009 and that the project will be open and available for occupancy in August 2010.

**Demand Analysis:** The primary targeted market for the project is sophomore and junior undergraduate students with particular emphasis on retaining the University's growing "first time in college" student population.

The University of West Florida student headcount enrollment has increased from 8,011 in 1998 to 10,380 in 2008. The 29% increase in student population, coupled with an aging dormitory system, has strained campus housing resources.

Currently, the University houses 55% of first-time in college freshmen in campus housing with 27% of those students remaining in the housing system for their sophomore year. The University's goal is to increase that retention to 40-45%. Average occupancy rates for the fall semester 2008 were 100%, with an average occupancy rate of 95% in spring semester 2008. Based on current enrollment, a January 2009 Housing Market Study identified a need for an additional 250-300 beds and a potential need for another 250-300 (for a total additional 500-550) beds by 2012-13 if the annual 4%

enrollment growth goals are realized. After the opening of the proposed project, the total capacity of the housing system will be approximately 1,700 beds.

**Project Cost and  
Financing Structure:**

The proposed project construction cost is approximately \$12.9 million. The project will be financed with a fixed rate, tax-exempt bank loan or revenue bonds issued by the University of West Florida Foundation, Inc. (the "Foundation") through the Escambia County Housing Finance Authority, (the "Authority"), on behalf of the University of West Florida, in an amount not to exceed \$15,000,000. All previous long-term debt of the Foundation has been issued using the Authority as the conduit. The Foundation also plans to contribute approximately \$140,000. Approximately \$1 million of the debt will be used to fund capitalized interest during the 14-month construction period to August 2010.

The bank loan would be structured with a 20-year final maturity and level annual debt service payments with the first principal payment occurring June 1, 2011. If a bank loan is utilized it is expected that no debt service reserve will be funded. Instead that amount would be applied toward the construction of additional rooms. The Foundation has historically maintained significant designated contingency and improvement reserves for the housing system. These funds are available for unexpected operating costs, capital improvements and debt service, if necessary, and therefore the Foundation does not believe that funding a debt service reserve would be in its best interest, if not required by the lender. After completion of the project and other housing system improvements, they estimate such balances will still be in excess of annual debt service on the loan; however, they are making no guarantees of maintaining any particular balance.

If bonds are issued, the bond size includes approximately \$1.2 million to fund a debt service reserve. Revenue bonds would be issued with a like structure but with a 30 year final maturity.

Construction of the project will be administered by the Foundation under the supervision of the University of West Florida which is consistent with the construction 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 charges, summer special event rentals, and other

miscellaneous collections after deducting operating and maintenance expenses. When the facility opens in Fiscal Year 2010-2011, the projected rental rate for fall and spring semesters is \$2,325 per bed for double occupancy and \$2,525 per bed for single occupancy. These rates are consistent with single room rental rates for existing facilities at UWF and in the State University System.

The debt will be issued on parity with the current outstanding Dormitory Revenue Bonds, Series 1998 (fixed rate) and Series 2005 (fixed rate) issued by the Authority on behalf of the Foundation, currently outstanding in the total principal amount of \$30,130,000.

**Pledged Revenues and  
Debt Service Coverage:**

For fiscal year 2010-2011, the first year of operation of the project, the system is expected to generate net pledged revenues of \$4,629,950 which would produce a debt service coverage ratio of 1.38x which includes two months of capitalized interest. For the second year of operation, the system is expected to generate net pledged revenues of \$4,798,230 which would produce a debt service coverage ratio of 1.36x which includes full principal and interest. For the entire system, during the past five year period from fiscal year 2004-2005 to 2008-2009, net pledged revenues grew from \$3,645,562 to a projected \$4,084,471 resulting in debt service coverage which ranged from 1.67x to a projected 1.39x. For fiscal years 2009-2010 to 2013-2014, net pledged revenues for the system are projected to grow from \$3,702,345 to \$5,184,719 with coverage of 1.64x in 2009-2010 to 1.47x in 2013-2014. It has been assumed that interest payments on the proposed debt during the 14-month construction period through August 2010 will be provided from proceeds of the debt.

The projected debt service coverages have been calculated using an interest rate of 5.1% for a bank loan and 6.7% for a bond issue. The projected revenues are based, in part, upon 5% annual rental rate increases through Fiscal Year 2013-2014. Annual operating expenses are expected to increase by 5% per year, with the exception of utilities which are expected to grow at 12% per year.

(See Attachment 2 for 5-years historical and 5-years projected pledged revenues and debt service coverage prepared based upon information provided by the University.

**Type of Sale:**

The University provided an analysis of the most appropriate method of issuing the debt (competitive versus negotiated) as required by the Debt Management Guidelines. The University is requesting approval for a negotiated sale. The University feels that among other

factors, uncertainty in the market combined with the small size of the debt warrant a negotiated sale.

The University anticipates that any selection of underwriters will be accomplished through a competitive selection process. Any private placement will also be done on a competitive basis.

**Analysis and  
Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by the University of West Florida with respect to the request for Board of Governors approval for the subject financing. Based upon the information provided, the University feels that demand for the existing and proposed housing is adequate to support construction of the proposed project. Additionally, the 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, staff of the Board of Governor's recommends adoption of the resolution authorizing the proposed financing.