

BOARD OF GOVERNORS

April 30, 2003

SUBJECT: A Resolution of the Board of Governors Requesting The Division of Bond Finance of the State Board of Administration to Issue Revenue Bonds on Behalf of Florida Atlantic University to Finance the Construction of a Student Housing Complex at the Boca Raton Campus of the University

UNIVERSITY AFFECTED: Florida Atlantic University

PROPOSED BOARD ACTION

Adopt a resolution requesting the Division of Bond Finance of the State Board of Administration of Florida to issue revenue bonds on behalf of Florida Atlantic University, in an amount not exceeding \$24,045,000 for the purpose of financing additional student housing facilities at the Florida Atlantic University, Boca Raton campus. Agenda item approval by the Board of Governors will be contingent upon approval by the 2003 Legislature. Approval by the Legislature, if granted, will be effective July 1, 2003.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Section 1010.60(2), Florida Statutes, Article IX, Section 7(D), Florida Constitution, and proposed legislative action during 2003 Session.

BACKGROUND INFORMATION

In the Spring of 2001, a Housing Feasibility Study was completed by a team of private-sector companies (Capstone Development Corporation, Brailsford and Dunlavey, PGAL Architects, and C. R. Klewin Southeast) at the request of Florida Atlantic University. The Feasibility Study Team concluded that the original "seven halls had reached the end of their useful life, and without substantial investment, will cease to serve a contributing function to the FAU housing stock". It was determined that renovation of the smaller residence halls constructed in the sixties – Algonquin, Seminole, Modoc, Mohave, Sekani, and Naskapi, would be a more costly approach, while also decreasing the overall number of beds. The largest housing facility, Timucua, is scheduled to be renovated during 2004-2005.

The master plan for housing includes the construction of a new 600 bed residence hall to accommodate the demand for housing on the Boca Raton campus. The construction of the new housing complex will necessitate the removal of existing residence halls. The three residence halls to be razed first, Modoc, Mohave, and Sekani, cannot be renovated efficiently to provide suite-style housing accommodations which the students currently demand. Additionally, deficiencies exist in the life safety, electrical, plumbing and air-handling systems. The outstanding debt service is scheduled to be satisfied in 2004. There is currently a principal amount of \$103,000 outstanding. The remaining debt service payments will be held in escrow in accordance with instructions from the Division of Bond Finance of the State Board of Administration.

The second phase of the Housing Master Plan calls for additional residence halls (Seminole and Neskapi) to be razed to allow for planning and completion of the Housing Master Plan. These halls were also built in the sixties and the outstanding principal amount of \$455,000 is scheduled to be entirely paid in 2006. It is anticipated that these halls will be razed in 2004. The University has not made a final determination regarding the demolition of Algonquin residence hall.

Florida Atlantic University has requested approval to issue revenue bonds to finance the construction of student housing facilities with a designed capacity of 600 beds. This request is based on the University's determination that adequate housing in terms of both quantity and quality is not available. Currently, the University enrolls approximately 17,000 students exclusively on the Boca Raton campus and approximately 25,000 students on all campuses. University projections include an increase to over 20,000 students on the Boca Raton campus (over 42,000 total university enrollment) within the next 10 years. Currently, the designed capacity of on-campus housing on the Boca Raton campus is approximately 2,176. Of this amount, 1,889 beds are in service. The new facility is scheduled for occupancy during the Fall 2004 semester. At that time, the Florida Atlantic University housing system will have a designed capacity for 2,776 beds, which represents 16 percent of the Boca Raton campus student enrollment.

The financial plan includes the issuance of \$24,045,000 fixed rate, tax exempt revenue bonds through the Division of Bond Finance of the State Board of Administration. The project will be financed from net bond proceeds and interest earnings. The revenue generated from the operation of the housing system, including primarily rental income, conference revenues, late fees and vending revenues, will be pledged to satisfy the debt service obligation.

The Florida Atlantic University Board of Trustees, on November 20, 2002, approved construction of the new student housing complex on the Boca Raton campus.

Florida Atlantic University requested and received approval from the 2002 Legislature to sell bonds for \$15,500,000 to construct a 300-bed student dormitory at the Boca Raton campus. During due diligence, financial feasibility, and market analysis reviews, the University determined that the housing program needs to be revised to reflect a growing undergraduate student population and the financial obsolescence of existing dormitories that were constructed in the early sixties. The Department of Education has provided the revised information in the 2003-2004 legislative budget request.

Supporting Documentation Included:

Requesting Resolution
Project Summary
Financial Plan

Facilitator/Presenter:

Wayne V. Pierson



A RESOLUTION REQUESTING THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA TO ISSUE REVENUE BONDS ON BEHALF OF THE FLORIDA ATLANTIC UNIVERSITY TO FINANCE A STUDENT HOUSING COMPLEX ON THE CAMPUS OF THE FLORIDA ATLANTIC UNIVERSITY AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED by the Board of Governors:

Section 1. The Board of Governors (the "Board") hereby authorizes and requests the Division of Bond Finance of the State Board of Administration of Florida (the "Division") to issue bonds in an amount not exceeding \$24,045,000 (the "Bonds") for the purpose of financing the construction of a student housing complex on the Boca Raton campus of the Florida Atlantic University (the "University"). Proceeds of the Bonds may be used to pay the costs of issuance of such Bonds, to provide for capitalized interest, to provide for a municipal bond insurance policy and to fund a reserve account or provide debt service insurance, if necessary. The Bonds are to be secured by revenues of the University's housing system, and may additionally be secured by other revenues that are determined to be necessary and legally available. The Division shall determine the amount of the Bonds to be issued and the date, terms, maturities, and other features of a fiscal or technical nature necessary for the issuance of the Bonds. Proceeds of the Bonds and other legally available monies shall be used for the

project, authorized by the 2002 Legislature in Section 11, Item 24, of Chapter 2002-394, Laws of Florida, or such other residence hall project at the University as may be hereafter authorized by the Legislature.

Section 2. Authority is further granted for the issuance of bonds for the purpose of refunding all or a portion of any bonds secured by revenues of the housing system of the University, if it is deemed by the Division to be in the best financial interest of the State. The limitation on the amount authorized for the Bonds in Section 1 above shall not apply to such refunding bonds. Other terms of this resolution shall apply to any such refunding bonds as appropriate.

Section 3. The Board will comply, and will require the University to comply, with all requirements of bond counsel and the Division as evidenced by a "Certificate as to Tax, Arbitrage and Other Matters" or similar certificate to be executed by the Board prior to the issuance of the Bonds and advice and directions in implementing such certificate.

Section 4. The Board will comply, and will require the University to comply, with all other requirements of the Division with respect to compliance with federal arbitrage law, pursuant to

Section 215.64(11), Florida Statutes, including the payment of fees to the Division in connection therewith.

Section 5. The Board will comply, and will require the University to comply, with all requirements of federal law, state law or the Division, relating to continuing secondary market disclosure of information regarding the Bonds, the University, and the University's housing system. Such requirements currently provide for the continuing disclosure of information relating to the Bonds, the University, and the University's housing system on an annual basis and upon the occurrence of certain material events.

Section 6. As provided in Section 215.65, Florida Statutes, the fees charged by the Division and all expenses incurred by the Division in connection with the issuance of the Bonds (except for periodic arbitrage compliance fees, which shall be paid from other legally available funds) shall be paid and reimbursed to the Division from the proceeds of the sale of such Bonds. If for any reason (other than a reason based on factors completely within the control of the Division) the Bonds herein requested to be authorized are not sold and issued, the Board agrees and consents that such fees, charges and expenses incurred by the Division shall, at the request of the Division, be reimbursed to the

Division by the Board from any legally available funds of the Board.

Section 7. The Division is hereby requested to take all actions required to issue the Bonds.

Section 8. The Board or the University may cause to be purchased a debt service reserve credit facility and/or municipal bond insurance issued by a reputable and recognized provider.

Section 9. The Chair, the Vice Chair, the Chief Financial Officer of the Department of Education, and other authorized representatives of the Board, are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action as they may deem necessary or desirable, in connection with the execution and delivery of the Bonds and to obtain a debt service reserve credit facility and a municipal bond insurance policy.

Section 10. This Resolution shall take effect immediately upon its adoption.

Adopted this 30th day of April, 2003.

BOARD OF GOVERNORS
Project Summary
Florida Atlantic University, Boca Raton Campus
New Student Housing Complex

Project Type:

Construction of new undergraduate student housing facilities to provide on-campus housing at the Boca Raton campus of Florida Atlantic University. The project will have a designed capacity of approximately 600 beds. The project will be financed from fixed rate, tax-exempt revenue bonds issued by the Division of Bond Finance of the State Board of Administration of Florida in an aggregate amount not to exceed \$24,045,000. Construction of this project will be administered by Florida Atlantic University.

Facility Site Location:

The proposed new student housing complex will be located on the Boca Raton campus of Florida Atlantic University on the north side of Florida Atlantic University Boulevard and east of Dade Avenue. The facilities will encompass approximately 20 acres designated for student housing in the Master Plan. The specific location is contained within the existing housing area. Therefore, the footprint of the new facility will require that existing facilities be razed.

Student Market:

The primary targeted market for new facilities will be freshmen and other undergraduate students.

Demand Analysis:

The immediate housing need at Florida Atlantic University is estimated to be approximately 600 beds more than the current accommodations of traditional housing for undergraduate students. The overall designed capacity is 2,176 beds, with an occupancy rate of 95% for 2000-2001 and 2001-2002. Occupancy of existing usable beds was 100% for the past two Fall terms. Three housing facilities, with a designed capacity of 287 beds, are not in service. Approximately 57% of new first-time-in-college students requested on-campus housing for 2002-2003. Retention of existing residents is approximately 40%. While priority in the residence halls is given to freshmen, transfer students and upper level undergraduate students are consistently notified that there is little chance they will be offered on-campus housing. The University maintains a waiting list of 275 students, with additional students referred to off-campus housing accommodations. To assist these students, the University staffs the Off-Campus Housing Resource Center to coordinate and disperse off-campus housing information. Additionally, hundreds of students use the roommate wanted/needed listings that are maintained and published by the University Center.

Florida Atlantic University has an ultimate goal of providing on-campus housing accommodations for 2,400 incoming freshmen students. Over 60 percent of the enrolled freshmen come from nearby Broward, Palm Beach,

Martin and Indian River counties. During the 2002-2003 academic year, 2,100 freshmen were enrolled at the University with 1,200 freshmen requesting on-campus housing. Of this amount, 1,100 freshmen were able to secure accommodations. The University estimates that 2,463 students will be in the freshman class in the Fall of 2004.

As part of the enrollment management effort, a high quality academic environment will be offered in all University owned residence halls. With expanded safety services offered by the University and opportunities to utilize all the campus amenities, there will be an adequate supply of students who will desire on-campus housing for at least a portion of their academic studies. Additionally, the University has the authority to require freshman students to live on campus. During the summer, the facilities will house students, summer conference personnel, and children attending summer camps.

Physical Description:

The proposed facilities will consist of two medium density buildings with a commons facility to service both towers. The student housing complex will provide suite-style accommodations with a designed capacity of approximately 600 beds. Two apartments will be provided for live-in professional staff members. The complex will consist of approximately 536 beds in a double bedroom configuration and 48 beds in a single bedroom configuration. Accommodations will also be provided for 12 resident assistants, and 4 support staff. The total gross square footage for both towers is 152,000 gross square feet. Each double bedroom suite will be approximately 735 net square feet, and each single bedroom suite will be approximately 890 net square feet. The commons space will be approximately 8,740 net square feet. The proposed facilities will be constructed of concrete with stucco facing.

Pledged Revenues:

Housing system revenues derived primarily from rental income, after deducting operating expenses, will be pledged for the payment of debt service. Other revenues include conference revenues, late fees, and vending revenues. As of June 30, 2002, outstanding issues include the 1964 Series with a balance of \$63,000, 1996-A Series with a balance of \$190,000, 1996-B Series with a balance of \$180,000, and the 2000 Series with a balance of \$24,000,000. Proceeds from these bond issues were used to construct student housing facilities on the Boca Raton campus.

Debt Service Coverage:

The debt service coverage ratio in 2004-2005 is 1.30 based on the proposed project only. The debt service coverage for the entire housing system for 2004-2005 is 1.29.

Summary of Proforma:

The Financial Proforma for the proposed new student facility is based on a 2002-2003 rental rate of \$2,775 per bed, per semester, for single occupancy, and \$2,375 per bed, per semester, for double occupancy. Additional revenue will be generated from conference fees, parking surcharges, vending revenues, laundry and other various fees. Boca Raton off-campus housing rates for facilities built since 2002 start at \$2,866 per bed, based on

a required 12 month lease agreement. Occupancy rates for the proposed new student residence facilities are projected at 95 percent for the 2004 Fall semester and 2005 Spring semester. During the 2005 Summer semester, it is anticipated that the suite-style accommodations in both towers will be used by conference groups, and all apartments will be used for student occupancy. A 95 percent occupancy rate is projected for these units. Total annual operating revenue for these facilities, including all sources, is estimated to be \$2,872,000. Net income is estimated to be \$525,115.

Current Housing Capacity:

In the Spring of 2001, a Housing Feasibility Study was completed by a team of private-sector companies (Capstone Development Corporation, Brailsford and Dunlavey, PGAL Architects, and C. R. Klewin Southeast) at the request of Florida Atlantic University. The Feasibility Study Team concluded that the original "seven halls had reached the end of their useful life, and without substantial investment, will cease to serve a contributing function to the FAU housing stock". It was determined that renovation of the smaller residence halls constructed in the sixties – Algonquin, Seminole, Modoc, Mohave, Sekani, and Naskapi, would be a more costly approach than replacement, while also decreasing the overall number of beds. To meet the needs of students, the density of the facilities would be reduced by almost 50%. Using the same rate of renovation costs of \$95 per square foot, the total cost to renovate five of those original halls would be \$10.1 million. And, with the required reduction in density, the per-bed cost would total \$48,317. The largest housing facility, Timucua, is scheduled to be renovated during 2004-2005.

The master plan for housing includes the construction of a new 600 bed residence hall to accommodate the demand for housing on the Boca Raton campus. The construction of the new housing complex will necessitate the removal of existing residence halls. The three residence halls to be razed first, Modoc, Mohave, and Sekani, cannot be renovated efficiently to provide the type of housing the students currently demand. These facilities have a designed capacity of 88 beds, 82 beds and 123 beds, respectively. Additionally, deficiencies exist in the life safety, electrical, plumbing and air-handling systems. Mohave and Sekani are currently not in service. The outstanding debt service is scheduled to be satisfied in 2004. There is currently a principal amount of \$103,000 outstanding. The remaining debt service payments will be held in escrow in accordance with instructions from the Division of Bond Finance of the State Board of Administration.

The second phase of the Housing Master Plan calls for additional residence halls (Seminole and Neskapi) to be razed to allow for planning and completion of the Housing Master Plan. These halls were also built in the sixties with a designed capacity of 123 beds and 82 beds, respectively. Neskapi is currently being used as an administrative building. The outstanding principal amount of \$455,000 is scheduled to be entirely paid in 2006. It is anticipated that these halls will be razed in 2004. The University

has not made a final determination regarding the demolition of Algonquin residence hall.

The designed capacity of on-campus available student housing is 1,889 usable beds. Approximately 287 additional beds are not in service. The housing system includes a total of eight (8) residence halls with 1,636 beds, one (1) apartment complex with 522 beds, and one scholarship house with 18 beds. Three of the eight residence halls are not currently in service. After completion of the proposed student housing complex, there will be an increase of approximately 313 beds in the designed capacity.

Student Life Programs:

The proposed new student housing facility will address the needs of freshmen, other undergraduate students, and graduate students, and will have a resident assistant ratio of 1:30. Professional staff will also be assigned to each residence hall. The complex suite-style residence halls will create an environment that is conducive to orienting students to the demands of the academic community, provide support services, promote group interaction, and provide closer supervision by residence life staff.

An integral part of the staffing for the proposed student residence facilities is the area coordinator. The area coordinator is a full-time, professional staff member living on-site to supervise all staff members for the facility. The area coordinator responds to emergencies 24 hours a day, supervises the student support staff, coordinates educational and social programs for the residents, distributes pertinent information to residents, and provides referral services for advising, counseling, and career planning.

**Planned Occupancy
Date:**

Florida Atlantic University proposes to have student housing in the towers available for occupancy for the Fall semester 2004.

BOARD OF GOVERNORS
Analysis of the Financial Plan for FAU Housing System Revenue Bonds
for Fiscal Year 2004-2005*

(Housing System)

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Bond Sale Amount	\$ 24,045,000.00	Maximum Series 2003 Bond sale amount based on an interest rate of 6.00% for 30 years. The bonds will be issued as fixed-rate, tax exempt bonds through the Division of Bond Finance.
Less: Underwriter's Discount	\$ (240,450.00)	Estimate is based on a 1.00% discount rate.
Bond Insurance	\$ (395,696.00)	Estimate is based on .75% of total debt service payments.
Cost of Issuance (including Arbitrage Fee)	\$ (95,000.00)	Estimate is based on net bond proceeds on deposit in the Project Construction Trust Fund invested for 12 months at an interest rate of 2.5%.
Net Bond Proceeds	\$ 23,313,854.00	
Plus: Interest Earnings (Construction Trust Fund)	\$ 271,721.00	Estimate is based on net bond proceeds on deposit in the Project Construction Trust Fund invested for 12 months at an interest rate of 2.5%.
Total Sources of Funds	\$ 23,585,575.00	
 <u>Uses of Funds</u>		
Planning, Construction & Equipment	\$ 20,370,000.00	The building construction cost per square foot is \$106.00. Total project cost is \$33,950 per bed and \$134.00 per square foot. This cost is consistent with construction cost for the FAU 2000 student housing facility with a building construction cost of \$95.00 per square foot.
Debt Service Reserve Account	\$ 1,772,400.00	Based on the highest year's debt service.
Estimated Interest to be Paid During Construction (Capitalized Interest)	\$ 1,442,700.00	Capitalized interest through and including the July 1, 2004 debt service payment at 6.00%.
Rounding/Contingency Amount	\$ 475.00	
Total Uses of Funds	\$ 23,585,575.00	
 <u>Debt Service Coverage -</u>		
Total Revenue - FAU Housing System	\$ 10,943,041.00	Based on projected rental fees and other revenues generated by the FAU housing system during 2004-2005, the first full year of operation.
Less: Operating Costs	\$ (4,863,064.00)	Projected operating expenditures for the FAU housing system during 2004-2005.
Revenue Available for Debt Service From Housing System Revenue	\$ 6,079,977.00	
Annual Debt Service - 2004-2005	\$ 4,723,418.00	Debt Service payment for all outstanding bonds for 2004-2005.
Debt Service Coverage Ratio	1.29	

* The financial analysis is based upon information provided by Florida Atlantic University.

BOARD OF GOVERNORS
Analysis of the Financial Plan for FAU New Hall Student Facility Revenue Bonds
for Fiscal Year 2004-2005*

(New Hall, Only)

Sources of Funds

Basis for Amounts

Bond Sale Amount	\$ 24,045,000.00	Maximum Series 2003 Bond sale amount based on an interest rate of 6.00% for 30 years. The bonds will be issued as fixed-rate, tax exempt bonds through the Division of Bond Finance.
Less: Underwriter's Discount	\$ (240,450.00)	Estimate is based on a 1.00% discount rate.
Bond Insurance	\$ (395,696.00)	Estimate is based on .75% of total debt service payments.
Cost of Issuance (including Arbitrage Fee)	\$ (95,000.00)	Estimate is based on net bond proceeds on deposit in the Project Construction Trust Fund invested for 12 months at an interest rate of 2.5%.
Net Bond Proceeds	\$ 23,313,854.00	
Plus: Interest Earnings (Construction Trust Fund)	\$ 271,721.00	Estimate is based on net bond proceeds on deposit in the Project Construction Trust Fund invested for 12 months at an interest rate of 2.5%.
Total Sources of Funds	\$ 23,585,575.00	

Uses of Funds

Planning, Construction & Equipment	\$ 20,370,000.00	The building construction cost per square foot is \$106.00. Total project cost is \$33,950 per bed and \$134.00 per square foot. This cost is consistent with construction cost for the FAU 2000 student housing facility with a building construction cost of \$95.00 per square foot.
Debt Service Reserve Account	\$ 1,772,400.00	Based on the highest year's debt service.
Estimated Interest to be Paid During Construction (Capitalized Interest)	\$ 1,442,700.00	Capitalized interest through and including the July 1, 2004 debt service payment at 6.00%.
Contingency/Contingency Amount	\$ 475.00	
Total Uses of Funds	\$ 23,585,575.00	

Debt Service Coverage -

Total Revenue - New Hall Student Facility	\$ 2,872,000.00	Based on projected rental fees and other revenues generated by New Hall during 2004-2005. This represents the first full year of operation.
Less: Operating Costs	\$ (576,285.00)	Projected operating expenditures for New Hall during 2004-2005.
Revenue Available for Debt Service From Housing System Revenue	\$ 2,295,715.00	
Annual Debt Service - Series 2003 Bonds	\$ 1,767,700.00	Debt Service payment for the Series 2003 Bonds for 2004-2005.

Debt Service Coverage Ratio **1.30**

* The financial analysis is based upon information provided by Florida Atlantic University.