STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Seminole Boosters, Inc.
Student Housing Facility

Project Description: The proposed project will consist of one building of approximately 91,629 square feet and approximately 145 beds, comprised of 35 two-bedroom units and 25 three-bedroom units (the "Project"). The purpose of the Project is to provide desirable accommodations to meet the needs of today's students as well as address a program facility for the FSU Department of Athletics (the "Department"). Laundry and vending service areas are also expected to be included.

Facility Site Location: The Project will be located near the southwest corner of the main campus of the Florida State University (FSU). This site is located in close proximity to academic support and athletic administration buildings. The Project is not required to be included within the FSU campus master plan. While this is an off campus facility, it is proposed to be built on property currently owned by Seminole Boosters, Inc. (the "Boosters").

Projected Start and Opening Date: It is anticipated that construction will begin in July 2013. Cook Brothers, Inc. was chosen from a competitive bid process and a Construction Management contract was approved on September 20, 2012. The Project is scheduled to open for the fall term in August 2014.

Quantitative Demand and Construction Analysis: The Project will house 145 undergraduate students, with a mix of students and student-athletes. NCAA rules stipulate that fewer than 50% of available beds in any one housing facility may be occupied by student-athletes. The Project will allow the Department to have 72 of its student-athletes within 200 yards of the Moore Athletic Center, which will provide for easier access for the student-athletes to obtain academic tutoring and assistance and thus enhance the chances for timely graduation and adherence to NCAA Academic Progress Rates that are required. The Project will also allow the athletic department administration to more efficiently and effectively monitor the student-athletes as they transition to life away from home and ultimately off-campus.

The Boosters have been in the student-housing business since 1985 when Burt Reynolds Hall ("BRH") was constructed. Student-athletes lived in the facility until 2010. BRH is very dated and no longer addresses the housing needs of today's student-athletes. As a result, freshmen athletes are currently distributed about the local area in various apartments.

The Boosters intend to retain the services of a property management firm to maintain the facility and market the remaining beds through normal rental channels. Seminole Student Boosters, with over 10,000 members, has already expressed an interest in marketing the remaining beds to their members. The Boosters hired a consultant, Cureton-Johnson & Associates, to perform a market study to determine the feasibility of the Project. The study reviewed similar housing facilities within a close proximity of the proposed project location. The comparison analysis is as follows:

Facility Name	Two-Bedroom Monthly Rent	Three-Bedroom Monthly Rent
Facility A	$790.00 per bed	Not Available
Facility B	$705.00 per bed	Not Available
Facility C	$700.00 per bed	$566.67 per bed
Facility D	$670.00 per bed	$660.00 per bed
Proposed Project	**$650.00 per bed**	**$625.00 per bed**
Facility E	$625.00-$675.00 per bed	Not Available
Facility F	$515.00 per bed	Not Available

The higher end of the range is occupied by those properties with better quality, newer construction; the lower end of the range is mostly occupied by older projects. All of the projects were determined to be within a reasonable proximity to campus.

Demand for on-campus housing is high, with FSU receiving 9,100 applications for 6,400 beds in fall 2012. They maintain a waiting list of 600 students and the remaining students are forced to seek off-campus housing options. As a result, the consultant's review of vacancy rates found that occupancy is typically 92% or better for facilities within a 5 block radius from campus. Given the high demand for newly constructed units near campus and the strong historical performance of pre-leasing units in the market area, Cureton-Johnson found the project to be financially feasible.

Available Private Sector Alternatives:

While the Boosters could have the opportunity to engage the private market for the establishment of a partnership with the private sector, it would be required to give up some financial benefits associated with ownership. Booster ownership provides long-term strategic and financial benefits, as well as increased flexibility for the Department.

Project Cost and Financing Structure: The construction of the Project is estimated at a total cost of $11,600,000. Construction costs are estimated at $10,700,000, with planning and design estimated at $500,000 and equipment estimated at $400,000.

The Project will be financed with a $5.1 million equity contribution and a fixed rate, taxable bank loan (the "Loan") in an amount not exceeding $6,500,000. The Loan will finance a portion of the cost of the Project, fund capitalized interest, and pay costs of issuance. The Loan will be structured with a 25-year final maturity and level annual debt service payments with the first principal payment occurring October 1, 2015 and a final maturity date of October 1, 2038. The interest rate on the Loan is estimated to be 3.25%.

Choosing a taxable bank loan allows the Boosters to repay the Loan without penalty at any time after two years from closing and locks the rate for a 90-day period. The terms of the Loan also allow the bank to reset the interest rate at 7 years, which could introduce some interest rate risk. However, it is the intent of the Boosters to either fix the rate for the full term of the Loan once some operating history has been established, or to pay the loan in full through a capital campaign prior to the 7 year "put."

(See Attachment I for an estimated sources and uses of funds).

Security/Lien Structure: Net project revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, after deducting operating expenses. The pledged security also includes a mortgage on the subject property as well as a covenant by the Boosters to maintain an 80% occupancy rate for the Project at all times. Because of its amenities and proximity to campus, the 80% occupancy covenant is not anticipated to be difficult to maintain. In the event of vacancies, the Boosters will pay the necessary shortfall from their funds to meet the requirement.

Pledged Revenues, Debt Service Coverage & Return on Investment: For fiscal year 2014-15, pledged revenues are projected at $871,974, producing an estimated debt coverage ratio of 4.13x. 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 $879,839 with debt service coverage projected to be 2.22x. Debt service coverage is estimated to exceed 2.25x for fiscal years 2016-17 through 2023-24.

The projected rental rate for the Project is $1,300 per month ($650 per bed) for two bedroom units and $1,875 per month ($625 per bed) for three bedroom units. As noted in the Cureton-Johnson analysis above, this is competitive with other local complexes. The Project also includes 100 parking spots to be rented for $75 per month each. The revenue projections include annual 1% increases in rent for the apartments and no increase in parking space rental. Expenses are also estimated to increase by 1% annually. The Boosters have assumed a 95% occupancy rate.

The Project is also expected to provide a positive return with an internal rate of return estimated at 6.4%, based upon the assumptions provided by the Boosters.

While there is no parity debt, the Boosters have unconditionally guaranteed approximately $61,000,000 of debt issued by their subsidiaries. All of this debt is senior to this loan and should be considered when evaluating the Project.

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

Type of Sale: The method of sale will be a bank loan. Sun Trust bank was selected as a result of an RFP in December 2012.

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. Project Revenues are projected 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.