STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida International University
University Housing Project – Parkview II

Project Description: Florida International University (the "University") proposes a housing project, Parkview Housing II (the "Project"), which will be constructed on the University's main campus and will provide an additional 656 beds (640 rentable and 16 for student resident assistants). The Project will consist of two-nine level buildings, and will primarily feature four bedroom units, with each bedroom designed for single occupancy, with shared common areas and kitchenettes. In addition, four staff apartments will be provided to house full-time professional staff members and graduate assistants. The building will also accommodate residential life programs. The Project will also include a four-level parking garage with approximately 300 parking spaces and some ancillary space for the residents. The parking spaces at this facility will be available exclusively for on-campus housing residents and will not be designated as part of the University's overall parking system. The revenues generated from parking are directly related to student housing and revenues from resident parking fees for the Project shall be revenues of the housing system.

The Project is included in the current Campus Master Plan; however, depending upon final site recommendation, an amendment to the Campus Master Plan may be required by the University Board of Trustees (the "BOT").

Facility Site Location: The Project will be located in the central, southern area of the Modesto A. Maidique campus ("MMC") of the University. It will be conveniently located near academic and student services buildings, food services, and the recreation center.

Projected Start and Opening Date: It is anticipated that construction of the Project will commence in December 2017 and will be completed in May 2019. The University's goal is to be open and available for occupancy in fall 2019.

Approvals: The Florida International University Board of Trustees (the "BOT") approved the Project on March 3, 2017.

[1]Excludes 400 beds on the BBC campus, which operates under a P3 model

Demand Analysis:

As a part of the Student Housing Master Plan Update (Spring 2016), the University underwent an analysis of its existing housing capacity, growth and operational considerations. As a result, the findings revealed that in an effort to achieve the University's strategic objectives, the University must improve the ratio of students living on campus. Currently, the University's student body exceeds 54,000 headcount (Fall 2016), with only 3,254 students or 6.8% living on-campus, the lowest percentage in the State University System (the "SUS"). However, with the completion of this Project the percentage of all students living on campus increases to 7.6%. The University goal is to house 20% of the total full-time student population on-campus by 2020, which requires an additional 3,156 beds.

The purpose of this Project is to further accommodate the University's demand for housing. Currently, the University has 3,184 rentable beds in its housing inventory and a 400-bed dormitory on its Biscayne Bay campus that is operated under a public-private partnership and not a part of the housing system. The University's housing system has operated at 100% occupancy for the past two years. Even though Parkview Housing Phase I opened in fall 2014 with the addition of 620 beds, the University had 957 students on the on-campus housing interest list in need of housing, with 545 students remaining on the waiting list as of the first day of classes. Additionally, growing enrollment, expected to increase by 12% over the next five years, is anticipated to exacerbate the problem of increased student demand for on campus housing.

The University engaged Brailsford and Dunlavey (B&D) to complete an update to the previously completed Student Housing Master Plan (the "Plan") and identify future facility and operational needs at MMC. The study concluded that as of fall 2015, the housing system on MMC provided 500 less beds than needed, when compared to student demand.

The Project is projected to operate with an average of 97% occupancy during the fall and spring semesters and just under 50% occupancy during the summer semester.

The University has sent overflow from its housing system to two apartment complexes adjacent to the MMC. Although off-campus housing is an acceptable alternative for some students, rising costs and limited availability are prohibitive factors. Off-campus apartment rental rates have increased consistently over the past several years and this trend is expected to continue. In addition, off-campus housing tend to lack student driven amenities, direct student support and flexible lease terms.

The projected rental rates for the Project are competitive with today's off-campus rates, and are anticipated to be even more so when off-campus rates are adjusted for inflation over the next 2-years prior to the opening of the Project. There are two private student housing options located in close proximity to the MMC campus that currently rent at $969 and $899 per month for 4-bedroom/4-bath units. Comparably, the fall and spring rental rates for the Project are expected to be around $4,300 per semester, or approximately $955 per month when the Project opens in fall 2019.

Study of Private Sector Alternatives:

The University considered a public-private partnership structure during the evaluation process. However, the University does not feel that a multi-system approach to housing on the MMC campus is desirable, as it would require them to bifurcate their existing Housing System. Pursuing this option would involve the University forgoing the control, design input, financial benefit, operational control and the ability to fully integrate the Project with the existing FIU Housing on the MMC campus. Given the University's strong housing system and experience, this Project is considered low-risk and this addition will complement the current housing inventory. Further, the housing system is committed to providing a robust living and learning environment as recommended by the B&D Report, which the University believes is only possible with their direct input, management and operation.

Project Cost and Financing Structure:

The total project cost, which includes construction, design costs, contingency, and furnishing and equipment costs, is estimated at $66.5 million, and will be funded through bond proceeds and a $16.4 million contribution from the housing system capital improvement fund. The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida State Board of Administration's Division of Bond Finance, on behalf of Florida International University, in an amount not to exceed $63,000,000. The bond issue will be structured with a 30 year final maturity and level debt service. Approximately

$4.8 million of the debt will be used to fund capitalized interest during the construction period (roughly 18 months) and approximately $4.2 million will be used to fund a debt service reserve, with an additional $3.3 million available, if needed, to fund unanticipated project costs up to 5% over current estimates. If the additional 5% contingency is not needed, the bond size will be reduced accordingly.

(See attachment Estimated Sources and Uses)

Security Structure: Net housing system revenues will be pledged for the payment of debt service on parity with the system's outstanding $93 million of dormitory revenue bonds. These revenues are derived primarily from rental income, summer special event rentals, and other miscellaneous collections after deducting operating and maintenance expenses ("Pledged Revenues").

Pledged Revenues and Debt Service Coverage and ROI: The projected debt service coverages have been calculated using a tax-exempt interest rate of 5%. The projected revenues are based, in part, upon 1% annual rental rate increases through fiscal year 2021-22. Annual operating expenses are expected to increase by no greater than 2% per year.

During the five year period from fiscal years 2011-12 to 2015-16, net revenues grew from $10.4 million to $14.1 million. After deducting administrative overhead expenses which are subordinated to debt service and other one-time non-operating expenses associated with repairs and replacement expenses of the system, Pledged Revenues grew from $11 million to $17.5 million over this 5-year period. These revenues produced debt service coverage ratios ranging from a high of 1.52x (2015-16) to a low of 1.32x (2013-14) based on net revenues, or a high of 1.88x (2015-16) and a low of 1.50x (2014-15) based on Pledged Revenues. Overall, Pledged Revenues for the housing system have been generally growing. In 2016-17 net revenues are projected to drop to $11.8 million or a $2.3 million decrease from $14.1 million in 2015-16. This weakened position is partially attributable to conservative budget assumptions for personnel related expenses which included vacant positions. The 2017-18 projected personnel related expenses reflect a more realistic expectation of expenditures.

Pledged Revenues are projected to be $14.7 million in fiscal year 2017-18, an anticipated increase of $2.2 million from 2016-17. In fiscal year 2019-20, the first year of project operation, Pledged Revenues are expected to be $19.8 million, with an annual debt service coverage ratio of 1.63x. For the second year of operation, the system is expected to generate Pledged Revenues of $20 million, with an annual debt service coverage of 1.64x.

It has been assumed that interest payments on the proposed debt through June 2019, during the 18-month construction period, will be provided from proceeds of the debt.

A detailed schedule with the five year history and a five year projection of the Pledged Revenues, annual debt service coverage and maximum annual debt service coverage are included in the Attachment Historical and Projected Pledged Revenues and Debt Service Coverage.

The Project is expected to achieve an internal rate of return (IRR) estimated at 5.54%.

Type of Sale: The Division of Bond Finance will sell the Bonds through a competitive sale.

Selection of Professionals: The University has advised that the selection of professionals will follow FIU Standard Operating Procedures and is expected to be completed by second quarter 2017-18.

Analysis and Recommendation: The project was approved by the BOT on March 3, 2017 and subsequently submitted by the University to the Board of Governors Office and the Division of Bond Finance for review.

The results of the review by the Division of Bond Finance have been incorporated into the project summary, unless otherwise noted.

Based on information provided by the University, 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.

It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and is in compliance with the Board of Governors' Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.