

USF St. Petersburg Housing Project

SUS Board of Governors Meeting

November 8, 2018



Today's Objectives:



- Review the project:
 - Share particulars of the project
 - Overview of financing
- Obtain approval of resolution by the BOG authorizing issuance of debt to finance the project.

Strategy Alignment:

- Underscores USF's commitment to student success
- Demonstrates sound financial management/use of resources
- Leverages USF System resources and capabilities to advantage of St. Petersburg campus

Project has support of USFSP student body*



* Student support indicated through focus groups, survey and student body leadership

Timeline

- Necessitates:
 - USF Finance Corp Meeting – July 9, 2018
 - USFSP Campus Board update* – Early July 2018
 - BOT approval – July 24, 2018
 - Circulate RFP for Design/Build – late July 2018
 - BOG submittal – before August 8, 2018
 - BOG Staff/DBF Briefings – Continuing
 - BOG Briefings – October 2018
 - BOG approval – November 8, 2018 meeting
 - Award contract – after BOG approval
 - Issue bonds – after BOG approval
 - Begin Construction – as soon as practicable after award
- Completion Target: July 2020



* If deemed necessary.

Design and Estimated Cost / Disclosures & Assumptions:

Design Component	Source / Support
375 Beds*	Third party demand study (updated 2018)
Conservative Enrollment Growth	Embraces BOT enrollment plan
Estimated cost	Proven through bid process by Beck Group
Suite style housing	Complements existing inventory
Includes shelled dining	Cost proven through bid by Beck Group
Dining build-out	To be covered by Sodexo
Design/build	Done by competitive procurement process

* Does not assume a live-on requirement.

Financing Details / Disclosures / Assumptions:

Finance Aspect	Source / Support
Estimated rental rates	Below off-campus market / similar to Tampa
375 bed size	Supported by demand study
Borrowing rate – 5%	Current market is in the 4.3% range
Uses housing system rating	System rated A1 / A+
Projected System coverage – 1.5x	Exceeds BOT and BOG standards
Projected Project coverage – 1.3x	Exceeds BOT and BOG standards
Project break-even	Occupancy at 83%
Parity and par bonds	Gross revenues pledge
Built in reserve fund	Per bed reserve requirement plus net cash flow

Project Sources and Uses:



Sources		Uses	
Bonds, at Par	\$33.0	Estimated Cost –housing	\$28.5
		Estimated Cost – dining	<u>2.2</u>
		Total estimated cost	30.7
		Capitalized Interest	2.8
		Debt service reserve	**
Campus equity contribution	<u>0.8</u>	Costs of issuance	<u>0.3</u>
Total Sources	<u>\$33.8</u>	Total uses	<u>\$33.8</u>

** Debt service reserve accomplished via internal restriction of funds

Comparison of Housing Rates:

Housing Unit or Comparator	Rates
Board approved 2019 rental rates – single occupancy suite	\$4,671*
Board approved 2019 rental rates – double occupancy suite	\$4,505*
Off-campus 2 bedroom comparable	\$5,097 to \$5,849 ¹



* Note these rates were utilized in creating the projections.

¹ Source: Brailsford & Dunlavy demand study.

Dining Structuring:

- Dining is included on first floor of building
- Estimated \$2.2 million of cost (shelled structure)
- Cost will be partially offset by \$800k of housing reserves contribution
- No hidden subsidy from housing to dining
- Current dining vendor, Sodexo, will build-out space
- Operated by Sodexo
- Operating risk transfers to Sodexo
- Assumes mandatory meal plan for residents



Meal Plans Overview:

- Mandatory meal plans utilized at majority of SUS schools
- Offered to students at St. Petersburg now
- Have not negatively impacted USFSP occupancy:
 - 111% occupancy plus 80 on waiting list
- Dining proven / positive factor in student success
- Few alternatives in the vicinity of USFSP campus
- Integral to residential housing



Status of Sodexo Contract:

- Meal pricing for 2020-2021 is fixed
- \$3 million to build out the shelled dining facility
- No automatic price increases – must be mutually agreed upon
- Most favored nation / renegotiation clause included
- Targets student employment at 25%
- Agrees to work with Tampa provider to ensure seamless transactions for students between campuses

In essence, both parties have agreed to all major deal points.



Comparison of Meal Costs (per semester):

- Current plan (declining balance):

- Gold plus plan \$2,270
- Gold plan \$1,971



- Proposed 2020-2021 plan:

- Unlimited + \$500 \$2,420 (\$1,920 net of flex dollars)
- Unlimited + \$375 \$2,370 (\$1,995 net of flex dollars)

Major project risks have been mitigated:

- Cost of the project is fixed with Beck Group
- Completion date has been affirmed by Beck Group
- Financing assumptions have held
- Demand is supported by feasibility /existing demand
- Dining backed by Sodexo at comparable prices



Most importantly, the project is fully supported by students.

Project meets / exceeds all BOG/DBF requirements:

- Exceeds debt service coverage – 1.3x versus required 1.2x
- Qualitative requirements:
 - Supported by feasibility and prudent projections
 - Meets additional bonds test
 - Consistent with master plan
 - Competitive selection of partners
 - Rates favorable to private rates
 - Cost controls to protect students



Requested Action

Approve the resolution authorizing the issuance of debt
not to exceed \$33 million
and approve the issuance of debt
to finance the costs of the USF St. Petersburg housing.

Questions