



THE FLORIDA STATE UNIVERSITY
DIVISION OF STUDENT AFFAIRS

October 21, 2014

Mr. Chris Kinsley
Director, Finance and Facilities
Board of Governors
325 W. Gaines Street
Tallahassee, FL 32399

Dear Mr. Kinsley

University Housing at Florida State University (FSU) respectfully submits the following report in support of our bond financing request for Phase II of the Housing Replacement Project. FSU commissioned a financial and market analysis study by Brailsford and Dunlavey in February of 2013 to provide supplemental material demonstrating the need and feasibility of Phase I and Phase II of the proposed project. The findings of the report conducted are contained in the attached documents.

Brailsford & Dunlavey (B&D) is a nationally recognized leader in the field of campus housing market analysis with a diverse experiential portfolio including approximately 250 student housing clients and more than 350 student housing projects. Through their thorough review of the operation of University Housing and the plans for Phase I and Phase II of the Housing Replacement Projects, B&D found the following:

- "...on campus housing remains the preferred option for students, and B&D believes that an increase in student housing on campus will be absorbed by students who want to live on campus that have been pushed to the off campus market due to space constraints."
- "...privately owned [off campus] facilities are not in direct competition with the residences and experience that FSU and University Housing aspire to provide for its on-campus residents."
- "Even with conservative assumptions for a full replacement scenario, B&D believes that the FSU housing system should be able to support the replacement of the [aging facilities] while still maintaining a system wide debt coverage ratio of more than 1.50X in any given year."
- "...it is beneficial for the University to develop, own, and operate the Project. While public-private partnerships can help reduce the burden of balance sheet utilization, the credit rating agencies (such as Moody's) have all placed strict rules and regulations to insure that most student housing will remain on the University's credit."

Additionally, we have provided Addendum A (page 37) of this document which contains an updated comparison of rates in the off campus market as of August 2014.

Demand continues to be strong demand for participation in FSU's on-campus residence experience. Over the past ten years, occupancy rates for the undergraduate halls have exceeded 100% to begin each fall term. The waiting list for Fall 2014 exceeded 800 at the end of May 2014.

Focusing predominantly on housing first-time-in-college (FTIC) students, University Housing provides exceptional living opportunities for students to succeed academically. Phase II of the Housing Replacement Project will construct 840 new, state of the art, suite-style beds in the core of the campus proper, insuring the intentional connection of FTIC residents to the academic and co-curricular resources of FSU. Through 100-year quality building constructions, professional staffing, innovative programming, and academic partnerships through Living Learning Communities, Phase II of the Housing Replacement Project represents the completion of the Eastside residential campus community and a center of student growth, development, academic persistence, and success for years to come.

Please feel free to contact me if we can provide an additional information or clarification of these materials.

Sincerely,

A handwritten signature in dark ink, appearing to read "Allison H. Crume", followed by a long horizontal flourish line.

Allison H. Crume, Ph.D.
Associate Vice President, Student Affairs
Florida State University

FLORIDA STATE UNIVERSITY



STUDENT HOUSING ANALYSIS | FEBRUARY 2013

Prepared by



BRAILSFORD & DUNLAVEY

PREFACE & ACKNOWLEDGEMENTS

In January 2013, Florida State University (“FSU” or the “University”) engaged Brailsford & Dunlavey (“B&D” or the “Team”) to prepare a Student Housing Analysis (“Analysis”) related to a potential new student housing development (“Project”) on the FSU campus. B&D’s scope of work included a review of the FSU Campus Master Plan; an assessment of market conditions through on-campus research, off-campus research, student focus groups, and a competitive context review; and a review of FSU’s housing financials. This report provides a summary of B&D’s findings from the Analysis and is intended to serve as a foundation for decision making as FSU considers the new housing Project.

The findings contained herein represent B&D’s professional opinions based upon assumptions and conditions detailed in this report. B&D conducted research using both primary and secondary information sources that are deemed to be reliable, but whose accuracy cannot be guaranteed.

Throughout the project, Dr. Adrienne Frame, Director of University Housing, was B&D’s primary contact and facilitated communication and coordination with University administrators and students. B&D would like to acknowledge her support and thank her for her efforts.

Brailsford & Dunlavey would also like to acknowledge the support, cooperation, and effort of the University community members who contributed to the completion of this planning effort, with special recognition to the following individuals in the Working Group:

- Alan Acosta, Assistant Director for Residence Life
- John Barnhill, Assistant Vice President for Enrollment Management
- Maclain Benton, Housing Business Manager
- Mark Bertolami, Campus Master Plan Director
- Kendra Bumpus, Assistant Director for the Westside
- Allison Crume, Associate Vice President for Student Affairs
- Adrienne Frame, Director of University Housing
- Michele Gray, Assignments Coordinator
- Stacie Kurlick, Assistant Director for Conferences & Undergraduate Staff Selection
- Chandra Myrick, Associate Director for Residence Life
- Gavin Roark, Assistant Director for the Eastside
- Vince Roberts, Associate Director for Administrative Services
- Larry Rubin, Director of Construction & Design
- Dave Sagaser, Associate Director for Housing Facilities
- Daniel Sheets, Assistant Director for Housing Facilities
- Steven Wiley, Acting Assistant Director of Assignments

This Analysis and documentation was produced by the following individuals from Brailsford & Dunlavey:

- Brad Noyes, Senior Vice President
- Peter Isaac, Senior Project Manager
- Joseph Winters, Assistant Project Manager
- Carolyn Volker, Project Analyst

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EXECUTIVE SUMMARY

CAMPUS MASTER PLAN REVIEW

FSU has developed a Campus Master Plan that includes a plan to gradually renovate and replace all of its aging housing facilities in order to raise the overall quality of the on-campus living experience and to remain competitive with regional and national peers. The enhanced facilities offer modern amenities and improved configurations that support FSU's objectives of student development, social integration, and the connectivity of the campus community. Over the past 20 years, FSU has made significant enhancements to the majority of its housing facilities. Now, only four community-style facilities remain that have not had a major renovation. The facilities – Dorman, Deviney, Smith, and Kellum – are all in need of major renovation or replacement in order to address the growing deferred maintenance issues that exist and to match the suite-style unit configurations of newer buildings on campus.

PROJECT BACKGROUND

FSU is interested in developing a new, 862-bed suite-style residence hall at the southeast corner of Woodward Avenue and Traditions Way, adjacent to the other suite-style residence halls near Landis Green. The complex will be 193,116 square feet in two different residence halls, with each offering 431 beds. The facility will offer amenities such as a common student lounge, recreation room, TV lounge, common area kitchens, study lounges, laundry, vending service, administrative offices, and academic space, including classrooms, to support FSU's living-learning initiatives. The facility will also offer live-in staffing, classrooms, and a ratio of 1 Resident Assistant for every 45 students.

The new facility is projected to match the existing rental rate structure of the other suite-style housing facilities on campus. It will be constructed while both Dorman and Deviney are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility to avoid a dip in on-campus bed supply or housing revenues. Dorman and Deviney would be taken off-line and demolished immediately following the occupancy of the new facility. Dorman and Deviney represent a total of 524 beds, so the new facility would provide 338 beds more than what is currently provided.

Although not part of the Project, there is a potential second phase of development that includes the replacement of Kellum and Smith with a new, 862-bed suite-style residence hall. The Kellum and Smith replacement would occur on the location of the demolished Dorman and Deviney and would be scheduled to open in Fall 2017 or Fall 2018. The replacement facility would be constructed while both Kellum and Smith are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility to avoid a dip in on-campus bed supply or housing revenues. Kellum and Smith would be taken off-line and demolished immediately following the occupancy of the new facility. Kellum and Smith represent 1,091 beds, so the new facility would represent a decrease of 229 beds compared to what is currently available. The bed count for both phases would amount to an increase of 109 beds to the housing system.

STUDENT HOUSING MARKET ANALYSIS

FSU successfully operates a robust first-year housing experience for students, accommodating nearly 4,500 first-year students in on-campus housing. Although first-year housing is a successful program, it has been limited in the past by space constraints. For the past ten years, University Housing has opened its doors in the fall

semester at over 100% occupied and with a sizable waitlist. Students who could not live on campus due to space constraints were placed on the waitlist, and most of these students were required to move to the off-campus housing market. While FSU has a positive relationship with the off-campus housing providers, the majority of the off-campus market is comprised of apartments that are more appropriate for upper division students because they lack some of the connectivity to campus and to their peers that is critical for student development during a student's first two years. While some private dorms offer suite-style configurations, Resident Assistants, and meal plan requirements, they do not offer the same experience and developmental benefit that the on-campus housing provides. As a result, on-campus housing remains the preferred option for students, and B&D believes that an increase in student housing on campus will be absorbed by students who want to live on campus but have been pushed to the off-campus market due to space constraints.

FINANCIAL REVIEW

As previously mentioned, FSU proposes to keep the same rental rate structure at the replacement facility as is offered for similar units at existing suite-style facilities on campus. FSU will pledge the revenues from the entire housing portfolio against the Project, and, even with conservative assumptions related to lower occupancy, higher expenses, inflated construction costs, and less favorable debt terms, the Project still works financially and achieves a system-wide debt coverage ratio of more than 1.70x in any given year.

While the Dorman and Deviney replacement development works financially at the required debt coverage ratio, B&D understands that Kellum and Smith are both in dire need of renovation or replacement. B&D asked FSU to run additional financial scenarios to ensure that the addition of future debt to the housing system to address the deferred maintenance needs at Kellum and Smith would not trigger any complications. Even with conservative assumptions for a full replacement scenario, B&D believes that the FSU housing system should be able to support the replacement of Dorman, Deviney, Kellum, and Smith while still maintaining a system-wide debt coverage ratio of more than 1.50x in any given year.

The financial parameters are more specifically defined within the body of the document, but B&D believes that, based on a review of FSU's housing financial model and the corresponding assumptions, the Project will be able to support the debt requirements placed on the system.

Finally, B&D recommends that the University develops, owns, and operates the Project, rather than enter into a public-private venture with a third party. B&D believes developing the Project internally is the most appropriate approach for the University because the facility is located at the center of campus and will play an integral role in strengthening the campus life core (i.e., housing, recreation, and student union space) that FSU administrators and leaders have emphasized and reinforced over the past decade. Additionally, owning the Project will provide long-term strategic and financial benefits, not to mention flexibility, for FSU and University Housing.

RECOMMENDATION

B&D's analysis suggests that there is sufficient market demand to support the Dorman and Deviney replacement facility. Although the new facility will increase the housing supply by 338 beds, B&D believes that those beds can be absorbed by the students who currently are being pushed into the off-campus market due to long waitlists for on-campus housing, or being placed in lounges and other non-traditional living arrangements within University Housing's existing facilities. Additionally, with the pending replacement of Kellum and Smith, FSU has the ability to address deferred maintenance issues in its aging housing facilities while only increasing the total

supply by 109 beds. B&D believes that FSU should keep Dorman and Deviney on-line until the replacement facility is occupied to eliminate the reduction in revenue and the reduction in bed supply during construction. B&D also believes that FSU should develop, manage, and own the replacement facility to realize the long-term strategic and financial benefits of ownership.

UNIVERSITY PROFILE

As indicated on the University's website, the mission of FSU is to "preserve, expand, and disseminate knowledge in the sciences, technology, arts, humanities, and professions, while embracing a philosophy of learning strongly rooted in the traditions of the liberal arts. The University is dedicated to excellence in teaching, research, creative endeavors, and service. The University strives to instill the strength, skill, and character essential for lifelong learning, personal responsibility, and sustained achievement within a community that fosters free inquiry and embraces diversity." As one of the largest and oldest of the 11 institutions of higher learning in the State University System of Florida, Florida State University is committed to implementing its mission by:

- Offering a distinctive academic environment built on its cherished values and unique heritage, a welcoming campus on the oldest continuous site of higher education in Florida, championship athletics, and prime location in the heart of the state capital;
- Establishing itself as one of the nation's elite research universities with the Carnegie Foundation's highest designation, Doctoral/Research University-Extensive; and
- Offering baccalaureate degrees in 88 programs, master's degrees in 102 programs, advanced master's/specialist degrees in 19 programs, doctorates in 67 programs and two professional degrees - law (J.D.) and medicine (M.D.).

In addition to its mission, the vision of Florida State University is to "be one of the world's premier institutions of higher education, devoted to transforming the lives of our students, shaping the future of our state and society, and offering programs of national and international distinction in a climate of inquiry, engagement, collegiality, diversity, and achievement."

FSU continues to demonstrate the implementation of its mission and vision by constantly enhancing its student population and campus environment.

- In Fall 2011, FSU enrolled 41,087 students, including 32,201 undergraduates and 8,886 graduates. The campus largely enrolls full-time students, with 90% of the undergraduates and 69% of the graduates enrolled full time. The majority (93%) of the undergraduate population is 24 years or younger, which is considered the "traditional college age." Women account for 55% of the enrollment, and minorities comprise 32% of total enrollment. Although 89% of students are from Florida, a majority of in-state students are from the central and southern part of the state, rather than near Tallahassee. FSU's out-of-state population includes representatives from all 50 states, the District of Columbia, and over 130 countries.
- The Main FSU Campus is located in Tallahassee, approximately 1 mile from the Florida State Capitol. According to the FSU website, 2001 through 2009 marked a period of major growth on the FSU campus. During this time, Florida State built and renovated approximately 1 million gross square feet of new facilities for academics, student support, and business functions at the University at a total cost of approximately \$800 million. The 2001 to 2010 period was characterized by a renewed sense of heritage, with construction, landscaping, monuments, and signage designed to highlight the University's history. The FSU campus presently is composed of 542 buildings on 1,550 acres.

Student housing has played a significant role in the growth of FSU's demographic profile and campus environment, thus supporting the University's ability to achieve its mission and vision. Enhancement of student housing through FSU's renovation and replacement plan will be explored in the next section of this document.

UNIVERSITY HOUSING PROFILE

STRATEGIC HOUSING OBJECTIVES

Nationally, institutions of higher education are working to improve recruitment, retention, and throughput efforts. To accomplish these goals, institutions have conducted research to determine which factors are most likely to influence student success. Largely, the results of the research have found that one primary driver for student success is the integration and connectivity that students feel to their campus, their academic experience, their peer students on campus, and the values of their institution. As a result, many institutions are using student housing, especially for freshmen, to provide living-learning opportunities that promote a better sense of community, sustained social networking opportunities, and integration into the academic life of the campus.

University Housing at FSU has implemented this strategy on campus, currently accommodating nearly 4,500 first-year students and more than 1,100 returning students in on-campus housing. Consistent with national practices, FSU has aimed to accommodate high percentages of first- and second-year students in buildings that provide modern student housing amenities, semi-private bathrooms, affordable rental rates, and high levels of community interaction. Additionally, FSU has decided to let the off-campus housing market supplement its on-campus housing supply with housing for upper-division students. As is described in detail later in this document, University Housing's existing inventory and planned additions reflect this decision by providing a majority of non-apartment beds and focusing its marketing efforts on lower-division students.

EXISTING CONDITIONS

Florida State University currently offers 7,380 university-owned, on-campus beds to students.

The majority of the housing, 6,408 beds, is assigned to undergraduate students in the following configurations:

- 1,615 beds in traditional, community-style rooms
 - 243 beds in Deviney
 - 281 beds in Dorman
 - 538 beds in Kellum
 - 553 beds in Smith
- 3,766 beds in suite-style rooms
 - 135 beds in Broward
 - 131 beds in Bryan
 - 297 beds in Cawthon
 - 706 beds in DeGraff
 - 229 beds in Gilchrist
 - 326 beds in Jennie Murphree
 - 403 beds in Landis
 - 239 beds in Reynolds
 - 706 beds in Wildwood

- 594 beds in Salley
- 1,027 beds in apartment-style rooms
 - 196 beds in McCollum
 - 555 beds in Ragans
 - 276 beds in Traditions

The balance of the housing, 972 beds, is assigned to non-FTIC and graduate students in the following configurations:

- All 972 beds in two apartment complexes
 - 181 beds in Rogers
 - 791 beds in Alumni Village

KEY GOALS AND OBJECTIVES FOR UNIVERSITY HOUSING

Although this robust housing program and FSU's housing initiative is consistent with national trends, its implementation needed to be carefully orchestrated and required FSU to balance development decisions with deferred maintenance costs on existing buildings, annual cash reserve balances, debt capacity constraints, debt-coverage ratio requirements, and the availability of bed supply on campus during any given year, among other challenges. To help prepare University Housing for these challenges and to chart the course for future development, University Housing engaged with the Campus Master Plan (last published version "Florida State University Master Plan, 2008 Update – Amended June 2011") to create goals and objectives related to University Housing's existing and future residential facilities. The key goals and objectives that were established by University Housing as a part of that process are listed below:

- **Goal 1:** To continue to provide high-quality housing on campus to meet the current and future needs of the University.
 - **Objective 1A:** Eliminate or improve substandard housing.
 - **Objective 1B:** Increase campus housing to house 20% of both undergraduate and graduate students
 - **Objective 1C:** Establish procedures and priorities for the allocation of funding for on-campus housing facilities
- **Goal 2:** Encourage the provision of adequate safe and affordable off-campus housing to meet the future needs of the University.
 - **Objective 2A:** Work with the host community to ensure provision of safe and affordable housing in close proximity to the campus

As demonstrated in the Master Plan's goals and objectives for housing, the University's intent was to improve the quantity and the quality of the on-campus housing supply. The University has been actively following this plan for more than a decade and has made progress on both fronts:

- Quantity – FSU has increased the housing supply by nearly 2,000 beds on campus since 2004
- Quality – The majority of the housing facilities are new or renovated since 1993

The following chart was provided by FSU and reflects the increases in housing quantity since 2004. A subsequent analysis of the housing quality is also provided.

HOUSING QUANTITY

Figure 1: University Housing's Bed Capacity by Residence Hall

Residence Hall	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Fall 2008	Fall 2009	Fall 2010	Fall 2011	Fall 2012	Fall 2012 Capacity
Broward	135	135	135	135	134	135	134	135	135	135
Bryan	131	131	131	131	131	131	131	131	131	131
Cawthon	297	296	297	297	295	297	297	297	297	297
DeGraff	137	*	*	705	706	706	706	705	705	706
Deviney	243	250	243	249	254	242	252	248	257	243
Dorman	281	292	281	297	289	281	289	288	301	281
Gilchrist	229	229	229	229	229	229	229	229	229	229
Jennie Murphree	326	324	326	326	324	326	325	325	326	326
Kellum	564	556	538	537	544	538	547	537	537	538
Landis	*	*	403	403	401	403	403	403	403	403
McCollum	199	199	199	193	196	194	196	196	196	199
Ragans	552	555	555	554	556	554	555	555	555	555
Reynolds	239	237	239	239	239	238	236	238	239	239
Salley	569	581	570	567	570	582	579	582	577	570
Smith	570	582	553	557	556	550	570	563	556	553
Traditions									275	276
Wildwood				704	706	706	706	706	705	706
Total	4,472	4,367	4,699	6,123	6,130	6,112	6,155	6,138	6,424	6,387

*Residence Hall was closed for renovations.

Notes: The residence halls listed are for undergraduate student living. FSU has two graduate facilities: Rogers Hall (capacity of 181) and Alumni Village (capacity of 791). Wildwood Hall opened in summer 2007. Traditions Hall opened in summer 2012.

Source: University Housing. Online Resource: The University Housing's website can be accessed at: <http://housing.fsu.edu>

As demonstrated in the chart above (Figure 1), FSU has added nearly 2,000 beds on campus since 2004. In addition to this new construction, the University has also enhanced the quality and style of other beds on campus through renovation.

HOUSING QUALITY

FSU has enhanced the majority of its on-campus housing supply, as listed below:

- Suite-style rooms
 - Jennie Murphree – Built 1921, Renovated 1993
 - Reynolds – Built 1911, Renovated 1996
 - Bryan – Built 1907, Renovated 1997
 - Broward – Built 1917, Renovated 1998
 - Gilchrist – Built 1925, Renovated 1998
 - Salley – Built 1964, Renovated 2000/2001
 - Cawthon – Built 1949, Renovated 2001/2002
 - Landis – Built 1935, Renovated 2006

- DeGraff – Built 1950, Razed 2005, Rebuilt 2007
- Wildwood – Built 2007
- Apartment-style rooms
 - Ragans – Built 2003
 - Traditions – Built 2012

The only housing facilities that have not undergone significant renovations since 1993 are the following:

- Traditional, community-style rooms
 - Smith – Built 1952
 - Deviney – Built 1952
 - Dorman – Built 1959
 - Kellum – Built 1959
- Apartment-style rooms
 - McCollum – Built 1973
 - Rogers Hall – Built 1964
 - Alumni Village – Built 1959-1965

Per University Housing’s renovation and replacement plan, the traditional, community-style rooms offered on campus have gradually been phased out through razing and renovation, and they have been replaced with suite-style housing. The careful orchestration of this phasing effort allowed the University to replace aging facilities and modernize unit configurations while continuing to operate housing without a significant decline in bed supply or revenue in any given year. As described in the subsequent section, the replacement or renovation of Deviney, Dorman, Smith, and Kellum is recommended by a third-party facility assessment company called ISES. To remain consistent with University Housing’s renovation and replacement plan that has been in place for more than a decade, B&D believes that the enhanced facilities that replace Deviney, Dorman, Smith, and Kellum should be configured as suite-style residence halls.

FACILITY CONDITIONS

The following chart (Figure 2) is the scale that ISES uses to reflect facility conditions. Below the chart is the ISES ranking for the FSU housing facilities.

Figure 2: ISES Ranges for the Condition of Individual Buildings

Individual Building FCNI Range	Condition Description
0.00 - 0.10	Excellent condition, typically new construction
0.11 - 0.20	Good condition, renovations occur on schedule
0.21 - 0.30	Fair condition, in need of normal renovation
0.31 - 0.50	Below average condition, major renovation required
0.51 - 0.59	Poor condition, total renovation indicated
0.60 and above	Complete facility replacement indicated

- Traditional, community-style rooms
 - Deviney – Built 1952, ISES Score 0.56
 - Dorman – Built 1959, ISES Score 0.52
 - Kellum – Built 1959, ISES Score 0.42
 - Smith – Built 1952, ISES Score 0.36
- Suite-style rooms
 - Broward – Built 1917, Renovated 1998, ISES Score 0.07
 - Bryan – Built 1907, Renovated 1997, ISES Score 0.12
 - Cawthon – Built 1949, Renovated 2001/2002, ISES Score 0.05
 - DeGraff – Built 1950, Razed 2005, Rebuilt 2007, ISES Score Not Available (New Facility)
 - Gilchrist – Built 1925, Renovated 1998, ISES Score 0.10
 - Jennie Murphree – Built 1921, Renovated 1993, ISES Score 0.14
 - Landis – Built 1935, Renovated 2006, ISES Score 0.01
 - Reynolds – Built 1911, Renovated 1996, ISES Score 0.15
 - Wildwood – Built 2007, ISES Score Not Available (New Facility)
 - Salley – Built 1964, Renovated 2000/2001, ISES Score 0.11
- Apartment-style rooms
 - McCollum – Built 1973, ISES Score 0.20
 - Ragans – Built 2003, ISES Score 0.05
 - Traditions – Built 2012, ISES Score Not Available (New Facility)
 - Rogers Hall – Built 1964, ISES Score 0.20
 - Alumni Village – Built 1959-1965, ISES Score Not Available

As evidenced by the ISES rankings, Deviney and Dorman are listed as “poor condition, total renovation indicated,” and are at risk of moving into the “complete facility replacement indicated” category if major renovation does not occur within the next few years. Furthermore, according to the ISES data, Kellum and Smith are in “below average” condition and are in need of a major renovation in the near future. The assessment of these two facilities was completed in 2007.

B&D believes that Dorman, Deviney, Kellum, and Smith should be addressed in the near-future due to poor facility conditions. B&D believes that FSU should take advantage of the fact that the facility conditions will require some form of physical enhancement in the near future to continue implementing its renovation and replacement strategy for older housing facilities that was established as a part of the University’s most recent Campus Master Plan.

The following section of the report defines the potential new housing project.

NEW HOUSING PROJECT PROFILE

PROJECT DESCRIPTION

Florida State University is considering the construction of a residence hall complex with a design capacity of 862 beds arranged in suite-style double rooms with a connecting bathroom. The purpose of the proposed residence halls is to replace existing, aging housing facilities with more desirable beds to meet the needs of today's students. The Project will be administered by Florida State University.

According to FSU, this Project will consist of two residence halls with 193,116 gross square feet and each new building will offer 431 beds. The design of the facility is compatible with the other suite-style facilities on campus including Broward, Bryan, Cawthon, DeGraff, Gilchrist, Jennie Murphree, Landis, Reynolds, and Wildwood Hall, all of which have recently been renovated or are newly constructed.

The new facility is projected to match the existing rental rate structure of the other suite-style housing facilities on campus. It will be constructed while both Dorman and Deviney are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility, to avoid a decrease in on-campus bed supply or University Housing revenues. Dorman and Deviney would be taken off-line and demolished immediately following the occupancy of the new facility. Dorman and Deviney represent a total of 524 beds, so the new facility would provide an additional 338 beds beyond what is currently provided.

AMENITIES / PROGRAMMING

The proposed new development will include a common student lounge, recreation room, TV lounge, furniture storage, laundry, common kitchen, dedicated study lounge space, vending service areas, and administrative offices. In addition to the typical amenities nationally associated with these types of facilities, FSU also offers enhanced student life programming that includes one Resident Assistant per approximately 45 students and two classrooms for academically generated living-learning communities. This ratio of 45:1 is compatible with staffing in the other FSU halls. According to University Housing, a Residence Coordinator, an Administrator, and a Professional position will provide the live-in staffing and oversight for the Project. The Coordinator will respond to emergencies on a 24 hour basis, coordinate educational and social programs, distribute pertinent information to residents, and provide referral services. A graduate student Assistant Coordinator will support the Coordinator.

LOCATION

The proposed facility will be located on the main campus of the Florida State University at the southeast corner of Woodward Avenue and Traditions Way. This site is located in close proximity to academic and student services buildings and completes the chain of residence halls on the east side of campus. This location is consistent with the Campus Master Plan.

CONSTRUCTION COST

According to FSU, construction of the proposed residence halls is estimated at a total cost of \$55,500,000. Construction costs are estimated at \$51,198,442 with planning estimated at \$2,971,558 and equipment estimated at \$1,330,000.

CONSTRUCTION / OCCUPANCY SCHEDULE / TARGET MARKET

FSU is targeting a start of construction in August 2013. The new residence hall is scheduled to open for the fall term in August 2015. The new residence hall facility will house undergraduate students and be geared toward freshmen.

OTHER INITIATIVES

Although not part of the Project, there is a potential second phase of development that includes the replacement of Kellum and Smith with a new, 862-bed suite-style residence hall. The Kellum and Smith replacement would occur on the location of the demolished Dorman and Deviney and would be scheduled to open for the fall of 2017 or 2018. The replacement facility would be constructed while both Kellum and Smith are still on-line, allowing revenue collection and bed availability from both of those facilities until the opening of the new facility, to avoid a dip in on-campus bed supply or housing revenues. Kellum and Smith would be taken off-line and demolished immediately following the occupancy of the new facility. Kellum and Smith represent 1,091 beds, so the new facility would be a decrease of 229 beds when compared to what is currently represented. The bed count for both phases would represent an increase of 109 beds for the housing system.

STUDENT HOUSING MARKET ANALYSIS

Brailsford & Dunlavey conducted market research to define local market conditions and to understand national housing trends in higher education. The market research component of this analysis included an understanding of student preferences through focus group sessions, an investigation of the private, off-campus housing market, a peer institution benchmarking comparison, and the on-campus waitlist statistics. The following sections detail the results of the individual analyses that comprise B&D's Student Housing Market Analysis.

STUDENT FOCUS GROUPS

The focus groups were comprised of a variety of student participants representing on- and off-campus residents, multiple class levels, and a broad range of viewpoints and opinions. In general, FSU students had a very positive perception of the on-campus living experience. Students responded very positively to the location of the residence halls, the "student life neighborhood," and the overall introduction to college they received by living in university-provided housing. Some of their major apprehensions about living on campus were affordability of housing when a meal plan is required and the quality of the older residence halls on campus. Though participants indicated that they enjoy living on campus and valued the experiential learning opportunities that doing so provides, many students mentioned that the quality of housing at FSU was not the primary factor in deciding to attend the University. Rather than a deciding factor, participants stated that they expected housing to be available and of a high quality.

Overall, when discussing the desirability of a new residence hall on campus, most participants suggested renovating or replacing one or more of the older buildings. Participants mentioned that Dorman and Diviney were in a great location but, because the buildings were in poor condition, people preferred living in other halls. They had the same views when discussing Smith and Kellum, in that because there are significant deferred maintenance issues, students did not like to live there. Exhibit A ("Focus Group Report") provides more detail regarding the information that was gathered from the focus group sessions.

HOUSING DEMAND / WAITLIST

For the past ten years, the undergraduate population at FSU has recognized the importance of living on campus, and, as a result, University Housing's facilities have started each fall semester with occupancy rates that have exceeded 100%. As a result, waitlists were formed with several hundred students applying for housing but forced to live off campus due to space constraints in the on-campus supply. The waitlist for on-campus housing continues to exist on an annual basis, despite the nearly 2,000 beds that have been developed on campus in the past decade.

To reduce the waitlist and encourage students to move off campus when on-campus supply is not available, the University has started closing the waitlist as early as May. The waitlist for Fall 2012 exceeded 600 at the end of May, despite the fact that housing applications were not accepted after May 1st (approximately one month earlier than in years past). Although it is speculation, FSU estimates that several hundred additional students are turned away from applying for on-campus housing due to this deadline.

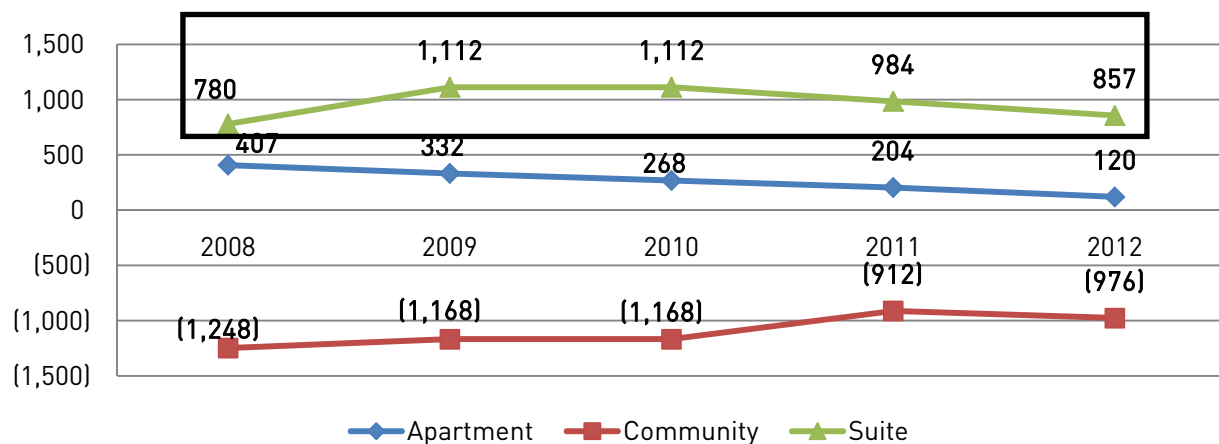
While some private dorms offer suite-style configurations, Resident Assistants, and meal plan requirements, they do not offer the same experience and developmental benefit that the on-campus housing provides. As a result, on-campus housing remains the preferred option for students, and B&D believes that an increase in

student housing on campus will be absorbed by students who want to live on campus but have been pushed to the off-campus market due to space constraints. B&D believes that the excess demand for student housing exceeds the additional 335 beds that will be offered as part of the Project.

STUDENT PREFERENCES / APPLICATIONS

When assessing the supply of, and demand for, housing on campus, it was determined that, as a result of the significant waitlist described above and the information that has been provided regarding unit preference, there is a significant amount of demand for on-campus, suite-style beds among prospective residents at FSU. B&D's primary objective when evaluating demand was to determine if there is sufficient demand from FSU students to support the Project, not to quantify total demand for on-campus housing. To accomplish this, University Housing provided B&D with student preferences from housing applications over the past five years. Using this information and comparing it with University Housing's reported occupancy rates for each year, B&D was able to reconcile the difference between supply and student demand (i.e., net demand). Through this analysis, B&D found that 72% of prospective residents showed a preference for a suite-style unit configuration over community- and apartment-style arrangements. When applying this to the current occupancy on campus, 72% represents 4,599 suite-style beds and the University currently only offers 3,742 bed spaces. The chart provided below (Figure 3) details that net demand for different unit types on campus over the past five years based on student preference information. More specifically, the chart below quantifies how many additional beds would need to be added, by unit type, in order for FSU's housing supply to perfectly match demand. As Figure 3 describes, demand for suite-style units has significantly out-paced the quantity that is available on campus over the past five years.

Figure 3: Net Housing Demand by Unit Type Based on Student Preferences



Based on the preference data detailed above, in order for the supply of on-campus housing to perfectly match demand, the University would need to add approximately 850 suite-style beds and significantly decrease its supply of community-style units. While demand for community-style units has slightly increased over time, this is due in part to the University clearly stating during the selection process that students applying late should choose from one of the community-style residence halls because it was unlikely that they would be assigned a suite-style bed. This fact also explains why there has been a marginal decrease in the relative percentage of suite-style demand over the past several years.

In short, B&D's findings related to demand for suite-style beds is consistent with University Housing's plan to demolish Dorman and Diviney and construct a new, suite-style residential complex.

PEER BENCHMARKING ANALYSIS

B&D researched six (6) of FSU's peer institutions to determine their housing goals, objectives, and recent development strategies. The six institutions that were researched include:

- Clemson University
- University of Central Florida
- University of South Florida
- North Carolina State University
- University of Florida
- University of Tennessee - Knoxville

Figure 4, below, summarizes the housing accommodations that are available at each peer institution as compared to what is available at FSU.

Figure 4: On-Campus Housing Comparison between FSU and Peer Institutions

	FSU	Clemson	UCF	USF	NC State	UF	UTK
Population							
Undergraduate*	26,876	14,674	33,630	20,394	22,069	23,696	19,830
Graduate*	5,721	2,693	4,402	5,156	5,369	9,199	4,137
Total	32,597	17,367	38,032	25,550	27,438	32,895	23,967
Residence Halls							
# of Halls	17	21	8	19	20	24	12
LLC	7	8	7	7	13	14	5
Traditional	28%	54%	0%	12%	39%	63%	20%
Semi-Suite	0%	0%	0%	24%	0%	0%	0%
Suite	59%	15%	33%	31%	15%	14%	50%
Pod	0%	0%	0%	0%	46%	0%	0%
Apartment	13%	31%	67%	33%	0%	23%	30%
% of Undergraduate Students Living On Campus							
Total	24%	40%	20%	26%	30%	32%	38%

* Represent Full-Time Equivalent Students attending each university

Below are several notes that describe the on-campus housing offerings at each institution.

- Clemson University recently began carrying out part of their campus master plan by replacing Douhit Hills with new apartment-style housing for graduate students. They also plan to renovate the Thornhill apartments with new apartment-style student housing.
- The University of Central Florida ("UCF's") main goal is to ensure the availability of affordable housing units and support facilities. UCF is currently housing 80% of first-time-in-college ("FTIC") freshmen and wishes to accommodate 50% of returning, second-year students. To accomplish this goal, the institution is in the process of adding 700 new suite-style beds to its housing inventory through the addition of a new residence hall. Furthermore, there is an off-campus apartment complex (~600 beds) that is currently under construction, which UCF's housing department may manage once it is completed.
- The University of South Florida ("USF") aims to provide at least 500-1000 new student beds by 2020. They wish to maintain a minimum ratio of at least 5% of full-time students in on-campus housing.

- NC State University is planning on adding 1,550 beds of apartment-style housing on their Centennial Campus over the next decade.
- At the University of Florida, they have taken two residence halls off-line each summer since 2005 for renovations, and this will continue through 2018. They are also working to maintain the wide variety of unit types they currently offer to meet the needs of a diverse student population. To this end, they have also recently built a new graduate and professional housing complex as a part of a larger institution initiative on the campus's fringe. The complex is in an apartment-style configuration, and it is currently 85% occupied.
- The University of Tennessee at Knoxville plans to turn a former residence hall into classroom and class laboratory space. It also plans to build a new 700-bed residence hall with a dining facility and begin renovations for seven of its twelve residence halls in the near future.

As demonstrated by the housing programs at FSU's peer institutions, it is clear that universities are all working to enhance their on-campus housing facilities, to develop student communities, and to create a plan that allows more students to live in close proximity to student amenities, the academic experience, and the campus community. While the respective approach to achieving these outcomes clearly varies by institution, the results of the peer benchmarking analysis confirm that, similar to FSU, both in-state and regional peers are choosing to enhance their ability to accommodate the housing needs of new and advancing students in order to remain competitive from a recruitment standpoint, while also improving retention and the overall campus experience.

OFF-CAMPUS MARKET ANALYSIS

The result of B&D's Off-Campus Market Analysis confirms that there is currently a complementary, or supportive, relationship between the housing that is available on campus and those units that are available in the off-campus market. As has been detailed previously, a majority of University Housing's existing inventory (73%) is comprised of community-style units and suites, while, with the exception of two individual complexes, SouthGate and Osceola Lofts, the off-campus market is comprised of apartment-style units. The target market for University Housing is lower-division students, including freshmen and sophomores, while judging from its predominant unit type – apartments, the private, off-campus market is focused on providing housing for upper-division and graduate students. Rather than accommodate the housing needs of all students at FSU, and as a result provide a unit mix and scale of housing that is responsive to that approach, the University and its housing department have decided to focus its efforts on housing freshman and sophomore students in response to the larger institution's mission, and, in turn, let the private, off-campus market provide a more independent living arrangement (i.e., apartments) for upper-division and graduate students at FSU.

As previously stated, this supportive relationship between the University and the private, off-campus market has been confirmed through B&D's Off-Campus Market Analysis. Specifically, of all the complexes that were investigated by B&D in the local Tallahassee market, there are currently only two private dormitories that offer non-apartment beds for students, SouthGate and Osceola Lofts. Prior to 2010, there was one additional facility, Osceola Hall, that also provided non-apartment living (656 beds) and similar amenities to on-campus residence halls; however, it has recently been purchased by Mica Creek Partners and is in the process of being renovated into apartments. Figure 5 below provides a comparison of the two private dormitories that would be considered in direct competition for University Housing's target market.

Figure 5: Rental Rate Comparison between FSU's Non-Apartment Residence Halls and the Private Dorms

Per Semester	FSU		SouthGate		Osceola Lofts	
	Traditional	Suite	Traditional	Suite	Traditional	Suite
Rent	\$2,360	\$2,910	Included	Included	N/A	\$1,661
Meals	\$1,849	\$1,849	Included	Included	N/A	\$1,532*
Cable	\$180	\$180	Included	Included	N/A	\$180
Electricity**	Included	Included	Included	Included	N/A	\$111
Water**	Included	Included	Included	Included	N/A	\$41
Total	\$4,389	\$4,939	\$4,850	\$4,970	N/A	\$3,524
# of Beds	6,347		500		200	
Occupancy Rate	101%		100%		100%	
Res. Life Program	Yes		Yes		No	

* Average Cost of Food in the United States for 2012 from the USDA Food Plans

** Based on the City of Tallahassee Utility Rates found at <https://www.talgov.com/you/you-customer-helpful-rates.aspx>

SouthGate offers a community-style living arrangement for residents and has the capacity to house 500 students. Osceola Lofts, in a suite-style configuration, has a capacity to house approximately 200 students. Both facilities are located near campus and fully occupied (100%). In addition to their location and occupancy rates, these dormitories are similar in the fact that they provide residential dining, paid utilities, and a fitness center. As the chart above describes, Osceola Lofts offers the most affordable living option when compared to SouthGate and the average cost to live in non-apartment units on campus. However, of the three community- and suite-style options that are available, Osceola Lofts is the only one that does not provide any residential life programming. This complex is also the smallest of the three. From a cost standpoint, SouthGate is very similar to what is available on campus but does not share the same locational attributes to FSU's campus life core as University Housing's residence halls.

In short, while the off-campus market in Tallahassee is robust, according to B&D's investigation, the vast majority of these privately-owned facilities are not in direct competition with the residences, and the experience, that FSU and University Housing aspire to provide for its on-campus residents. This finding is evidenced by the fact that even though the private dormitories that currently exist in the market are fully occupied year over year, the number of privately-owned, non-apartment facilities in the off-campus market has decreased by approximately 50% over the past five years because those facilities are either being renovated into apartments, or razed and rebuilt as apartments. Furthermore, the new facilities that are currently under construction in the off-campus market all include apartment-style unit types, rather than community- or suite-style accommodations. The sum of these activities has demonstrated that private developers and property owners also recognize the complementary relationship that exists between FSU's residential communities (non-apartments) and the off-campus housing complexes (primarily apartments) and continue to respond accordingly through new apartment additions and renovations.

FINANCIAL REVIEW

OBJECTIVES & METHODOLOGY

B&D reviewed FSU's operating financial model, which outlines the revenues, expenses, and affiliated debt with the proposed replacement housing (Dorman / Deviney replacement). To forecast the system's operating performance over a ten-year stabilized period, the model analyzes projected revenues and operating expenses, capital cost assumptions and affiliated debt, and potential excess cash flow, demonstrating the replacement housing's financial impact on the entire University Housing system. A summary of FSU's financial model that has been created for bond-financing purposes can be found as an exhibit to this report (Exhibit B). Additionally, as will be explained below, FSU and B&D have worked together to develop a more conservative financial model as a part of the Analysis to ensure that University Housing's balance sheet remains financially stable, even if some unforeseen market conditions should occur. This summary financial model is included in the report as Exhibit C.

HOUSING FINANCIAL MODEL ASSUMPTIONS

REVENUES

General assumptions for operating revenues for the housing model included the following:

- An average occupancy of 98% was projected for all existing buildings, and 95% occupancy was projected for the replacement facility after the completion of new construction. Please note that the original occupancy rate for the replacement facility was 98% but was reduced to 95% to project a more conservative financial outcome.
- Rental rates were calculated on a per semester basis. For the purpose of the model, the semesters were 4.5 months.
- Rental rates for the building opening are projected at \$3,370 per semester, per bed.
- Rental rates were inflated at 5% annually through 2016-17, which is consistent with recent rental rate increases on campus. Beginning in 2017-18, rental rate increases will be reduced to 3% inflation.
- The Investment Income calculated in the model includes only interest on the Housing System's operating account and does not include interest on the Housing System's cash reserve.

EXPENSES

General assumptions for operating expenses for the housing model included the following:

- Total Current Expenses are net of depreciation.
- Expenses for 2007-08 and 2008-09 were obtained from the restated financial statements for each of those years. The expenses for 2009-10 were adjusted from the financial statements by \$624,419 to account for building improvement expenses that should have been capitalized but were instead incorrectly expensed in that year.
- Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses, and 4% annual increases in utilities expenses.
- Originally, FSU offered a discounted utility expense rate for newly constructed facilities because University Housing has recognized energy savings in the more efficient new buildings. The utility rate was later increased to reflect a more conservative financial outcome.

CONSTRUCTION QUALITY / CAPITAL COSTS

Construction quality and capital costs were provided by FSU and were not analyzed in detail by B&D.

SECURITY / LIEN STRUCTURE

According to the University, net housing system revenues will be pledged for the payment of debt service. These revenues are derived primarily from rental income, after deducting operating expenses. The bonds will be issued on parity with the outstanding Florida State University Housing Facility and Dormitory Revenue Bonds currently outstanding in the aggregate principal amount of \$128,355,000.

PLEDGED REVENUES / DEBT SERVICE COVERAGE

According to the University, during the past five years from fiscal year 2007-08 to 2011-12, pledged revenues grew from \$15.3 million to \$19.2 million. These revenues produced debt service coverage ratios ranging from a high of 1.96x to a low of 1.59x. For fiscal year 2012-2013, pledged revenues are projected at \$21 million, producing an estimated debt coverage ratio of 2.14x. The addition of the replacement housing for Dorman and Deviney is projected to achieve above a 1.91x debt service coverage in each year of operation.

DEBT STRUCTURE

Debt service payments on the new bonds have been estimated using a 5.75% interest rate over a 20-year term.

PROJECTED FINANCIAL OUTCOMES

B&D believes that FSU has established a strong financial system built on solid planning and consistent implementation of the planning. The numbers provided to B&D demonstrate the financial viability of the housing system, even with the conservative assumptions of the housing model. B&D does not project significant risk associated with the financial success of the new replacement facility for Dorman and Deviney.

PHASE 2 OF HOUSING REPLACEMENT

While the Dorman and Deviney replacement development can be supported financially at the required debt coverage ratio, B&D understands that Kellum and Smith are both in dire need of renovation or replacement. In order to evaluate the overall, phased plan to ensure financial feasibility, B&D asked FSU to run additional financial scenarios to ensure that the addition of future debt to the housing system, to address the deferred maintenance needs in Kellum and Smith, would not trigger any complications or unforeseen financial hardships. To support this scenario, B&D asked FSU to include the following assumptions:

- Increase projected construction inflation by 8% per year (as opposed to the originally planned 4%)
- Eliminate any capital contribution from housing reserves (to ensure that the project can be supported without any supplemental cash)
- Maintain a cost of borrowing of 5.75% for 20 years (conservative compared to a 30-year term)

Even with conservative assumptions for a full replacement scenario, FSU's housing model demonstrated that it can support the replacement of Dorman, Deviney, Kellum, and Smith while still maintaining a system-wide debt coverage ratio of more than 1.50x in any given year.

PPP CONSIDERATIONS

FSU has the opportunity to engage the private market for the establishment of a public-private partnership. In this configuration, FSU can select a private partner to develop, own, or manage the new facility, or any combination of those roles. Universities often select this option if cash is not available and private equity is required to help an institution achieve its strategic mission. While public-private partnerships can help reduce the burden of balance sheet utilization, the credit ratings agencies (such as Moody's) have all placed strict rules and regulations to ensure that most student housing will remain on the University's credit. Given the location, scale, and proposed assignment at the new facility, it is highly likely that the new development would be placed on FSU's credit, even in spite of a public-private partnership structure.

In addition to a credit rating impact, the utilization of a public-private partnership comes with some strings attached. The private development community will look to balance risk with control, and the University will be required to give up financial benefit, building design, operational control, or all of those factors, in order to satisfy their requirements.

B&D believes that it is beneficial for the University to develop, own, and operate the Project. This facility is located at the core of campus and in close proximity to other residence halls, and owning it will provide long-term strategic and financial benefits, not to mention increased flexibility, for FSU.

RECOMMENDED STRUCTURE

Using the assumptions outlined in FSU's model, B&D believes that the University can achieve its strategic objectives while maintaining the required debt service coverage. B&D believes that FSU has done an excellent job of following its renovation and replacement plan that was established as a part of the Campus Master Plan, and as a result, FSU is in a financial position to continue enhancing its inventory into the future.

Based on the fact that the conservative estimates in the financial model produce a favorable debt coverage ratio, B&D believes that beating the estimates will provide long-term financial benefit to FSU and University Housing. As such, B&D believes that FSU should develop, own, and operate the Project.

While this analysis does not focus on the Phase 2 replacement of Kellum and Smith, preliminary metrics indicate that a second phase of replacement housing is financially viable and should be considered.

EXHIBIT A:

FOCUS GROUP REPORT

OBJECTIVES

The purpose of the focus groups was to engage a variety of Florida State University students in a dynamic conversation about their needs and preferences for on-campus housing at FSU. The focus group discussions were intended to yield qualitative data, reveal hidden sensitivities, and raise issues not previously considered by the University, rather than provide rigid, statistically-reliable responses from a demographically representative sample of the population. Throughout the process, Brailsford & Dunlavey gained an enhanced understanding of students' concerns and obtained pertinent information to be used as a guide for determining the feasibility and desire for potential new / renovated student housing.

METHODOLOGY

The focus groups were organized by the University and held on Tuesday, February 5, 2013 in the Center for Global Engagement's first floor dining hall. The focus groups were led by moderators from B&D whose role was to guide the conversations in order to gain further understanding of issues pertaining to campus life, unit-type preference, facility conditions, and other varied aspects of current and future campus housing. The moderators introduced a series of questions, intentionally open ended in nature, to engage the participants in the conversation. In addition to B&D's questions, the moderators paid close attention to participant-generated issues raised during the interviews. Information from the focus groups was analyzed and documented for the preparation of this appendix.

SUMMARY OF FINDINGS

The focus groups were comprised of a variety of student participants representing on- and off-campus residents, multiple class levels, and a broad range of viewpoints and opinions. In general, FSU students had a very positive perception of the on-campus living experience. Participants responded very positively to the location of the residence halls, the "student life neighborhood," and the overall introduction to college they received by living in university-provided housing. Some of the students' major apprehensions about living on campus were affordability of housing when a meal plan is required and the quality of the older residence halls on campus. Though participants indicated that they enjoy living on campus and valued the experiential learning opportunities that doing so provides, many students mentioned that the quality of housing at FSU was not the primary factor in deciding to attend the University. Rather than a deciding factor, participants stated that they expected housing to be available and of a high quality.

When discussing the desirability of a new residence hall on campus, most participants suggested renovating or replacing one or more of the older halls. Participants mentioned that Dorman and Deviney were in a great location, but that these were less popular options for students because of the buildings' age, condition, and bathroom configuration. Students had the same views when discussing Smith and Kellum.

The following sections highlight the key themes of the focus group discussions, including responses regarding unit types and size, community development, pricing and affordability, location, facility conditions, and the off-campus housing market.

UNIVERSITY LIFE AND AMENITIES

Students were initially asked to discuss the experience regarding their decision to attend FSU. The majority of students agreed that the community felt warm, friendly, and very welcoming. Participants explained that they love the traditions and history of the University, and also indicated that they enjoy the on-campus housing experience.

In regards to campus amenities, students mentioned that they thoroughly enjoy the campus recreation facilities at FSU. In particular, participants appreciated how the quality-of-life facilities on campus, including the Leach, are concentrated around the campus core. One student mentioned, “Leach is right in the middle of what seems to be the student life area of campus.” When discussing dining, students showed a strong desire for meal plans that offered flexibility. Students also mentioned that required meal plans can increase the cost of living on campus, and often students preferred housing options that did not require on-campus meal plans.

COMMUNITY DEVELOPMENT

When asked about the sense of community that is cultivated by on-campus housing at FSU, the students said that living in the residence halls gives them the “college experience” that each student looks for as an incoming freshman. Students said that on-campus housing helped make it easier to acclimate to life in college and to make the transition from high school to college easier. Participants also mentioned that, because they live in a residence hall with so many other students, making friends is much easier. Students enjoy having the ability to meet friends at the vending machines and in the lounge areas. One student said, “My dad sarcastically asked me, ‘What are you going to do, meet someone while brushing your teeth?’ and that is exactly how I met my best friend.”

A large number of participants also mentioned that the residence life programs that are led by University Housing staff helped make their communities stronger. These programs provide residents with opportunities to meet peers that live in their residence hall and in the surrounding communities. Students mentioned that the staff helps expand their horizons and provides opportunities for them to be introduced to people that they might not otherwise have had the chance to meet. One focus group also mentioned that these programs and the quality of the staff have had a large impact on their decision to remain in on-campus housing after their first year.

When asked about neighborhoods, students did not show a clear preference regarding the residence halls located on the east side and the west side of campus, respectively referred to as the “Eastside Residence Halls” and the “Westside Residence Halls.” Students stated that each neighborhood had its own qualities that made it attractive and unique.

In terms of unit configuration, participants stated that they believe living in non-apartment unit types (i.e., community-style and suites) helps to foster a sense of community for residents and support their acclimation into the college environment. Specifically, while apartments provide the most independent living space per student, the suite and community-style units encourage a higher level of interaction because residents are required to share common areas (e.g., bathrooms, living rooms, kitchens, etc.) with others.

LOCATION

Focus group participants indicated that the location of FSU's existing housing and its proximity to the University's academic resources and quality-of-life facilities is a major advantage to living on campus. The participants stated that they enjoy living on campus because the location allows them easy access to all of FSU's campus amenities. Specifically, the proximity to classes, dining, and recreation facilities alleviated some of the need for parking.

Students also discussed parking in regards to their respective residence halls. In general, students who live in the Westside Residence Halls do not believe that parking is an issue because of the proximity of supplemental lots close by; however, many Eastside Residence Hall participants indicated that there is little or no parking that is proximate to their buildings, which causes many students to park far away and walk across campus to the residence. One participant said "I don't like having to walk all the way across campus at night just because I couldn't find a parking spot next to my hall." The students with these concerns mentioned that having parking close to a hall should be a priority when considering a new residence hall. B&D will note that parking is a common complaint nationally from students in focus groups.

UNIT TYPES AND SIZE

University Housing's existing inventory has been developed over the years to respond to the different needs of students as they progress and grow in maturity and independence at FSU. Focus group participants indicated that students enjoy the variety of living arrangements that are available on campus. Many participants stated that they like living in the suite-style units provided in halls such as DeGraff and Wildwood, but they had split views on the suite-style configuration of Salley Hall. Multiple students agreed that "the set-up of the building is confusing; there are just so many doors," but they liked the living room included in the room configuration and the privacy it afforded. Students also stated that when deciding on where to live, the majority gave preference to suite-style residence halls because they offered more privacy than the community-style residence halls and were in better condition. When discussing the community-style unit configurations, participants mentioned that living in buildings with high levels of community "helps students become acclimated to college." As for the apartments provided on campus, students saw these units as good options for upper-division students who desire more independence. Participants mentioned that they like living in apartments because these units include a kitchen and larger rooms.

PRICING AND AFFORDABILITY

Participants indicated they desire improved facilities but want to maintain affordable options. Students also mentioned that meal plans have a major impact on the demand for individual residence halls because this requirement reduces affordability. Furthermore, focus group participants stated that they gave preference to the residence halls that did not require a meal plan because the additional cost was too expensive and the quality of the food did not reflect the cost. Specifically, one student said "If I'm paying that much, I expect the best." Each group stated they would be interested in a new hall that maintained affordable prices for students and did not include a required meal plan.

FACILITY CONDITIONS

Students mentioned the difference in facility conditions between FSU's different residence halls. According to the participants, building maintenance is good, but the condition of the buildings needs to be more consistent across individual halls. Participants agreed that in the older buildings such as Dorman and Deviney, there was a need for an updated HVAC system because of the amount of humidity and moisture that currently exists. One student who lived in Deviney said, "I had to buy a dehumidifier because my towel would not fully dry when it was hung up."

In terms of quality, another student said, "These old buildings are a bad first impression for the campus." Students explained that there was a large quality gap between the newest and best condition buildings and the oldest and worst condition buildings. Students believe this disparity should be addressed. Participants stated that they thought the new residence halls were well maintained in terms of facility care and cleanliness. Students enjoy living in these halls because the quality of the facilities is very high and consistent with their desired image for campus. Students also explained that they like the balance of tradition and innovation offered in some of the newly renovated halls, such as Landis, because it maintains the history of the University while providing a great living space for students.

Another major takeaway in regard to facility maintenance is the relationship between the responsiveness of service requests and the effectiveness of the building manager. Students noticed a positive correlation between the hall manager's responsiveness to maintenance requests and the quality of the residence halls. Students suggested that the maintenance requests in buildings such as Kellum take priority in the future over buildings that are newer and in better condition. Participants mostly agreed that enhancement of the older residence halls should be a focus of University Housing going forward.

OFF-CAMPUS HOUSING MARKET

When discussing the off-campus market, participants indicated that because of capacity constraints and the types of units that are available, housing in the off-campus market has been geared to accommodate upper-division and graduate students. Focus group participants mentioned that the common understanding among students is that everyone lives on campus their freshman year and, then, as they advance in terms of classification, they move off campus. The upper-division focus group participants, who already made this transition, said they like living off campus because these complexes provide an affordable option that allows them the independence they desire and are primarily located close to campus and its associated amenities.

EXHIBIT B: BOND-RELATED SUMMARY FINANCIAL PRO FORMA



STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FLORIDA STATE UNIVERSITY
HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE

	Historical					Projected				
	Fiscal Year 2007-08	Fiscal Year 2008-09	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Operating Revenues¹										
Existing Housing, excluding Deviney and Dorman	\$ 27,435,355	\$ 28,376,554	\$ 30,151,953	\$ 31,508,799	\$ 32,993,034	\$ 35,370,393	\$ 37,138,913	\$ 38,995,858	\$ 40,956,689	\$ 43,004,524
Deviney & Dorman Existing Facilities	\$ 1,942,772	\$ 1,984,833	\$ 2,086,832	\$ 2,189,202	\$ 2,291,583	\$ 2,406,162	\$ 2,526,470	\$ 2,652,794		
New Dorman Complex									\$ 5,620,320	\$ 5,901,336
Total Operating Revenue	\$ 29,378,127	\$ 30,361,387	\$ 32,238,785	\$ 33,698,001	\$ 35,284,617	\$ 37,776,555	\$ 39,665,383	\$ 41,648,652	\$ 46,577,009	\$ 48,905,860
Operating Expenses²										
Existing Housing, excluding Deviney and Dorman	\$ 13,458,036	\$ 15,061,786	\$ 14,902,600	\$ 14,429,378	\$ 15,068,323	\$ 15,694,578	\$ 16,520,707	\$ 16,904,089	\$ 17,624,180	\$ 18,034,010
Deviney & Dorman Existing Facilities	\$ 1,262,896	\$ 1,413,391	\$ 1,398,453	\$ 1,354,046	\$ 1,347,406	\$ 1,397,682	\$ 1,471,253	\$ 1,505,395		
New Dorman Complex									\$ 1,625,117	\$ 1,670,393
Total Operating Expenses	\$ 14,720,932	\$ 16,475,177	\$ 16,301,053	\$ 15,783,424	\$ 16,415,729	\$ 17,092,260	\$ 17,991,960	\$ 18,409,484	\$ 19,249,297	\$ 19,704,403
Net Operating Revenue	\$ 14,657,195	\$ 13,886,210	\$ 15,937,732	\$ 17,914,577	\$ 18,868,888	\$ 20,684,295	\$ 21,673,423	\$ 23,239,168	\$ 27,327,712	\$ 29,201,457
Investment Income³	628,592	213,246	431,976	347,133	354,039	300,000	310,000	320,000	330,000	340,000
Pledged Revenues	\$ 15,285,787	\$ 14,099,456	\$ 16,369,708	\$ 18,261,710	\$ 19,222,927	\$ 20,984,295	\$ 21,983,423	\$ 23,559,168	\$ 27,657,712	\$ 29,541,457
Annual Debt Service										
Outstanding Parity Bonds	\$ 8,847,219	\$ 8,843,069	\$ 8,843,447	\$ 9,690,729	\$ 9,812,690	\$ 9,792,075	\$ 9,795,375	\$ 9,780,819	\$ 9,788,456	\$ 9,789,169
Proposed 2013A Bonds	-	-	-	-	-	-	2,462,882	2,955,500	4,660,500	4,657,463
	\$ 8,847,219	\$ 8,843,069	\$ 8,843,447	\$ 9,690,729	\$ 9,812,690	\$ 9,792,075	\$ 12,258,257	\$ 12,736,319	\$ 14,448,956	\$ 14,446,632
Pledged Revenues after Debt Service and Available for other Expenses/Transfers	\$ 6,438,568	\$ 5,256,387	\$ 7,526,261	\$ 8,570,981	\$ 9,410,237	\$ 11,192,220	\$ 9,725,166	\$ 10,822,849	\$ 13,208,756	\$ 15,094,826
Maximum Annual Debt Service	\$ 8,847,219	\$ 8,843,447	\$ 8,843,447	\$ 9,992,841	\$ 9,812,690	\$ 9,795,375	\$ 14,448,956	\$ 14,448,956	\$ 14,448,956	\$ 14,446,632
Debt Service Ratios										
Total Annual Debt Service	1.73x	1.59x	1.85x	1.88x	1.96x	2.14x	1.79x	1.85x	1.91x	2.04x
Maximum Annual Debt Service	1.73x	1.59x	1.85x	1.83x	1.96x	2.14x	1.52x	1.63x	1.91x	2.04x

¹ Projections assume 5% annual increases in rental rates and 98% occupancy rates for the system and the proposed project.

² Total Current Expenses are net of depreciation. Expenses for 2007-08 and 2008-09 were obtained from the restated financial statements for each of those years. The expenses for 2009-10 were adjusted from the financial statements by \$624,419 to account for building improvements expenses that should have been capitalized but were instead incorrectly expensed in that year. Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses and 4% annual increases in utilities expenses.

³ Investment Income presented includes only interest on the Housing System operating account.

EXHIBIT C:

HOUSING ANALYSIS-RELATED SUMMARY FINANCIAL PRO FORMA



Florida State University
Division of Student Affairs
University Housing

	Projections						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-2021	2021-2022
Existing Housing, excluding Deviney, Dorman, Kellum & Smith	\$ 35,374,245	\$ 37,142,957	\$ 38,459,597	\$ 39,613,385	\$ 40,801,787	\$ 42,025,840	\$ 43,286,615
PHASE I							
Deviney & Dorman Existing Facilities							
New Dorman Complex	\$ 5,450,538	\$ 5,723,065	\$ 5,894,757	\$ 6,071,600	\$ 6,253,748	\$ 6,441,360	\$ 6,634,601
PHASE II							
Kellum & Smith Existing Facilities	\$ 5,752,227	\$ 6,039,838					
New Deviney Complex			\$ 5,894,757	\$ 6,071,600	\$ 6,253,748	\$ 6,441,360	\$ 6,634,601
Operating Revenues ¹	\$ 46,577,009	\$ 48,905,860	\$ 50,249,112	\$ 51,756,585	\$ 53,309,283	\$ 54,908,561	\$ 56,555,818
Existing Housing, excluding Deviney, Dorman, Kellum & Smith	\$ 14,495,170	\$ 14,830,843	\$ 16,280,680	\$ 16,552,454	\$ 16,829,561	\$ 17,112,100	\$ 17,400,170
PHASE I							
Deviney & Dorman Existing Facilities							
New Dorman Complex	\$ 2,336,150	\$ 2,406,235	\$ 2,478,422	\$ 2,552,774	\$ 2,629,357	\$ 2,708,238	\$ 2,789,485
PHASE II							
Kellum & Smith Existing Facilities	\$ 3,107,395	\$ 3,180,862					
New Deviney Complex			\$ 2,665,562	\$ 2,745,529	\$ 2,827,895	\$ 2,912,732	\$ 3,000,114
Operating Expenses ²	\$ 19,938,715	\$ 20,417,940	\$ 18,759,102	\$ 19,105,228	\$ 19,458,918	\$ 19,820,338	\$ 20,189,655
Net Operating Revenue	\$ 26,638,295	\$ 28,487,920	\$ 31,490,010	\$ 32,651,357	\$ 33,850,364	\$ 35,088,223	\$ 36,366,163
Investment Income ³	\$ 330,000	\$ 340,000	\$ 350,000	\$ 360,000	\$ 370,000	\$ 380,000	\$ 390,000
Pledged Revenues	\$ 26,968,295	\$ 28,827,920	\$ 31,840,010	\$ 33,011,357	\$ 34,220,364	\$ 35,468,223	\$ 36,756,163
Annual Debt Service							
Outstanding Parity Bonds	\$ 9,788,456	\$ 9,789,169	\$ 9,772,007	\$ 9,765,157	\$ 9,776,338	\$ 9,765,163	\$ 9,770,632
Proposed 2013A Bonds	\$ 4,660,500	\$ 4,657,463	\$ 4,658,963	\$ 4,659,425	\$ 4,658,563	\$ 4,656,088	\$ 4,656,713
	\$ 1,300,000	\$ 3,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
	\$ 15,748,956	\$ 17,446,632	\$ 20,430,970	\$ 20,424,582	\$ 20,434,901	\$ 20,421,251	\$ 20,427,345
Pledged Revenues after Debt Service and Available for other Expenses/Transfers	\$ 11,219,338	\$ 11,381,289	\$ 11,409,040	\$ 12,586,775	\$ 13,785,463	\$ 15,046,972	\$ 16,328,818
Debt Service Ratios							
Total Annual Debt Service	1.71x	1.65x	1.56x	1.62x	1.67x	1.74x	1.80x

¹ Projections assume 5% annual increases in rental rates through '16-17, then 3% increases beginning in '17-18. Assume 98% occupancy rates for the system and the 95% for the proposed projects.

² Total Current Expenses are net of depreciation. Projections of operating expenses assume 2% annual increases in personnel expenses, 3% annual increases in general operating expenses and 4% annual increases in utilities expenses.

³ Investment Income presented includes only interest on the Housing System operating account.

ADDENDUM A



Comparison of On & Off-Campus Monthly Housing Rates (as of August 2014)

On-Campus Rates				
	Community Double	Suite Double	Salley Double	Apartments
Semester Rate ÷ 4 months	\$638	\$810	\$749	\$634-965

NOTE: Rates are for furnished rooms and include utilities, cable, residence life programs, staff supervision and require a commitment for the fall & spring semesters (8 months).

Off- Campus Rates				
Apartment/Facility	Four Bedrooms	Three Bedrooms	Two Bedrooms	One Bedroom
Campus Walk*		\$879		\$499
The Commons*	\$369-399	\$379-459	\$499	\$829-\$49
Seminole Grand**	\$399	\$399	\$499	
Villa San Carlo*	\$399-454		\$519-574	\$619-699
Campus Park **	\$449-459			
Colony Club High Point**		\$450	\$485	\$580-625
University Lofts**				\$599-735
Villa Cristina**		\$450-514	\$499-564	\$675-719
Villa Reanna**			\$499-564	\$719-804
University Village*	\$474-504	\$489-554	\$564	
Seminole Flats**			\$565	\$765
West 10**	\$499-559	\$549-599	\$599	\$999-1049
Polo Club**	\$529	\$499		
The Forum*	\$599-655		\$755	\$1,100
U Club on Woodward*	\$649			
Luxe on West Call*	\$675-700	\$720-730		\$1,090-1,265
Campus Circle*	\$680-690		\$790	\$1,225
601 Copeland**	\$689		\$779	\$1,049
Stadium Centre*	\$690		\$775-790	\$1,190

NOTE: Rates are per student, per room for unfurnished apartments and generally require a 12 month lease commitment.

*All utilities included except for electricity or water.

** Utilities not included.

With the exception of two complexes, SouthGate Campus Centre (500 beds) and Osceola Lofts (200 beds), the off-campus market consists of apartments which typically appeal more to the needs of upperclassmen and graduate students. The target market for on-campus housing is primarily undergraduate students. SouthGate has equivalent rental rates to on-campus housing, offers a residence life program, and has strong demand. SouthGate Campus Centre rental rates are \$5,000 per semester with an unlimited meal plan included in the rate and include utilities, furniture, basic cable television and access to all on-site amenities. The Osceola Lofts has lower rental costs than on-campus housing, but no residence life program.