

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**

January 26, 2017

SUBJECT: Resolutions of the Board of Governors approving the issuance of debt by the Seminole Boosters, Inc. to construct a mixed use student housing facility near the main campus of Florida State University.

PROPOSED BOARD ACTION

Adoption of two (2) separate, but related resolutions approving the issuance of fixed rate debt by the Seminole Boosters, Inc. (the "Seminole Boosters"), in an aggregate amount not to exceed \$46,000,000 (the "Debt") to finance a portion of the construction of a mixed use student housing facility. The debt will consist of two bank loans, a not to exceed \$15,000,000 short term bank loan and a not to exceed \$31,000,000 long term bank loan, which together will fund the 1) construction of the housing facility and parking garage, interest on the debt during construction and issuance costs; and 2) buy-out of the investors in CollegeTown I.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance has reviewed this resolution and all supporting documentation. Based upon this review, it appears that the proposed Financing Plan is in compliance with Florida Statutes governing the issuance of university debt and generally complies with the Debt Management Guidelines adopted by the Board of Governors, except as noted below.

The financing plan raises three issues the Board of Governors should be aware of and consider. The first is that although CollegeTown I is complete and operational, it has never been reviewed or approved by the Board of Governors. CollegeTown III is an expansion of the CollegeTown development and is being submitted to the Board of Governors for consideration because it is being financed with debt in the form of a bank loan. CollegeTown I is also being reviewed because debt is being incurred to repay investors/lenders in CollegeTown I and to fund a down-payment or contribution to the financing of CollegeTown III, which is the second issue. Thirdly, the finance plan includes a not to exceed \$15 million short term loan which will mature in 2020 and will need to be refinanced with a permanent loan. The Board of Governors Guidelines do not contemplate or provide guidance on using temporary loans that will require refinancing which introduces interest rate risk and refinancing risk. Detailed information regarding these matters and the finance plan are included in the analyses attached hereto.

Staff of the Board of Governors recommends adoption of the resolutions and authorization of the proposed financing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Florida Board of Governors Debt Management Guidelines; Section 1010.62(3), Florida Statutes; and Article IX, Section 7, Florida Constitution.

BACKGROUND INFORMATION

The Seminole Boosters submitted a proposal for financing the construction of a mixed use student housing facility two blocks south of the main campus of Florida State University (the "University"). The project, CollegeTown III, is intended to be the third and final phase of the CollegeTown development; and will include a seven-story building, containing 129 units (300 beds), a parking garage with 500 spaces and 1,500 square feet of commercial space. The Project will be located on land currently controlled by the Seminole Boosters. The total project cost is expected to be approximately \$34,000,000.

The Seminole Boosters intend to obtain a \$31,000,000 fixed rate, taxable loan (the "Permanent Debt") to finance a portion of CollegeTown III (the "Project"), fund capitalized interest and pay costs associated with the issuance of the Permanent Debt. The Permanent Debt will mature twenty-five (25) years after issuance with level debt service payments with the first principal payment occurring August 1, 2019 and a final maturity date of December 1, 2045. The Seminole Boosters will obtain additional debt via a short term note in the not to exceed amount of \$15,000,000, (the "Additional Debt") which will be secured by a pledge against the Seminole Boosters portion of CollegeTown I revenues. Approximately \$5,300,000 will be used to finance the construction of the Project, and approximately \$8,700,000 will be used to take out the investors in CollegeTown I. After three years, the Seminole Boosters plans to take out the Additional Debt, and obtain permanent financing secured by a mortgage, and first lien, on CollegeTown I.

The Debt is payable from the Project revenues, which are derived primarily from rental income, after deducting operating expenses. The pledged security includes a mortgage on the subject property as well as a covenant by the Seminole Boosters to maintain a 1.3x debt service coverage. The Additional Debt, while not secured by CollegeTown I, will be payable from revenues available to the Seminole Boosters from CollegeTown I, and Projections provided by the Seminole Boosters indicate sufficient revenues to pay debt service on the Debt.

It appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines except as noted herein.

The Seminole Boosters' Real Estate Committee approved the proposed financing terms of CollegeTown I and CollegeTown III on September 20, 2016, and the Seminole Boosters' Board approved the terms on September 27, 2016. The proposed financing is still subject to approval from the University's Board of Trustees on January 17, 2017.

Supporting Documentation Included: Information located in the Facilities Committee materials