

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

Facilities Committee

May 11, 2021

SUBJECT: University of Florida \$250M Debt Authorization for a New Undergraduate Residential Complex Housing Project

PROPOSED COMMITTEE ACTION

Adopt a resolution authorizing the issuance of fixed rate, tax-exempt revenue bonds by the Division of Bond Finance on behalf of the University of Florida (the "University"), in an amount not to exceed \$250M (the "Bonds") for the purpose of financing a new multi-building residential housing complex on the University's main campus ("the Project").

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; Florida Board of Governors' Debt Management Guidelines.

BACKGROUND INFORMATION

The University is seeking authorization to issue \$250M in bonds to finance the design and construction of a new multi-building undergraduate residential housing complex that will also serve as its Honors residential college.

The Project will consist of four 6-story residence halls; together, totaling approximately 420,000 gsf, comprised of traditional double-occupancy and single-occupancy units offered at rental rates favorable to similar on-campus options. According to UF, demand has exceeded supply for the last 27 years, and current data evidences historical annual waiting lists and occupancy that consistently exceeds design capacity.

The Project will initially add 1,400 beds to the Housing System's existing capacity of 9,440 beds as well as replace aged housing stock slated for closure commensurate with Project completion.

The Housing System has significant deferred maintenance due to the fact that roughly half the housing stock is mid-century (1950's-60's era). Significant renovations are planned in the future, as appropriate, and the Project will indirectly facilitate this initiative by freeing up existing beds in other residence halls, allowing the University to re-shuffle space/students as ensuing renovations occur.

At \$220M design/construction cost and 1,400 beds, the per-bed cost is over \$157K, which significantly exceeds the cost of other SUS student housing projects in recent years. According to the University, factors contributing to higher per-bed cost include a sharp increase in material costs as well as extra site work costs.

Historically, the Housing System's robust operations have consistently generated debt service coverage (DSC) above 2.0x. Based on projections, the Project is not financially viable on its own; operating shortfalls will be absorbed by the existing Housing System's operating capacity. Like other SUS institutions, UF's Housing System has been negatively impacted by the COVID-19 pandemic, and DSC this year is projected to fall to .50x, below the required 1.20x minimum. This is an exception to the SUS Debt Management Guidelines. However, the issue is isolated to this year, as UF anticipates a return to normal operations effective Fall 2021, and operating shortfalls are funded from the Housing System's cash assets (mostly unearned rents) totaling approximately \$14.6M as of 12/31/20.

In the event of continued disruption from the pandemic beyond Fall 2021, UF intends to mitigate revenue losses by offsetting eligible Housing System expenses and replacing lost revenues, as appropriate, with non-general funds of the University. Notably, over the past year, the University has received Federal COVID-19 relief funding totaling approximately \$116.9M.

As a prerequisite to issuing new parity bonds within the Housing System, an Additional Bonds Test is performed to evidence fiscal sufficiency to service the added debt. If performed after 6/30/21, the calculation will include FY21 results, which, as previously noted, have been greatly impacted by the pandemic. Their inclusion will preclude a satisfactory test, thus requiring the University to postpone Bond issuance for at least two years until a satisfactory test may be achieved. This seems unwarranted in light of the mitigating factors previously described above, as well as the Project's important role in furthering UF's mission and helping revitalize the Housing System. As such, the proposed transaction must close on or before 6/30/21.

The Project is included in the University's approved Campus Master Plan for 2020-2030, and was approved by the UF Board of Trustees on March 19, 2021.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Estimated Source & Uses
4. Historical & Projected Debt Service Coverage; Project and System
5. Debt Service Schedules; Project and System
6. Map & Artist Renderings
7. DBF Memorandum

Facilitators/Presenters:

Kevin Pichard, SUS Director of Finance
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University Representative