

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
Project Summary  
University of Florida**

New Undergraduate Residential Complex Housing Facility

**Project Description:**

The University of Florida (“UF” or “University”) is seeking authorization to issue debt of \$250M (the “Bonds”) to finance the proposed design and construction of a new student housing project (the “Project” or “New Undergraduate Residential Complex”) on the University’s main campus, to be designated its Honors residential college.

The Project will consist of four 6-story residence halls; together, totaling approximately 420,000 gross square feet, with a mixture of traditional double-occupancy and single-occupancy units offered at rental rates favorable to similar on-campus options. Importantly, the Project will help UF address excess demand for on-campus housing, evidenced by historical 100% occupancy and annual waiting lists, as well as play an indirect role in facilitating much-needed renovations within the Housing System in the coming years.

The Project will initially add 1,400 undergraduate beds to the housing system’s existing capacity of 9,440 beds (7,967 beds in undergraduate residences, 1,473 beds in graduate/family residences), as well as replace aged housing stock slated for closure commensurate with Project completion.

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

**Site Location:**

The Project will be located in the southeastern area of the main campus, in the present location of the Broward Recreation Complex, adjacent to a large parking garage and in close proximity to the campus academic core, student services buildings and food services.  
(see attached *Map & Artist Renderings*)

**Design and Construction Phase:**

Planning & design is currently underway, to be completed later this year. Per UF, the Project will be comprised of four 6-story buildings; the ground floor of each building being common areas and levels 2 – 6 comprised of student residential units. The anticipated unit mix is as follows:

Double Occupancy	938 beds
Single Occupancy	437 beds
RA Rooms (Single Occupancy)	35 beds
<b>Total</b>	<b>1,400 beds</b>

Construction is projected to commence in March 2022, with completion in May 2024 and occupancy in August 2024 commensurate with the beginning of the Fall 2024 semester.

Construction will be overseen by a construction manager and administered by the University under the supervision of its Planning, Design and Construction Department, consistent with construction of previous University housing projects.

**Project Cost and Financing Structure:**

Per the University, design and construction costs will total approximately \$220M, including a \$26M (12%) contingency. An additional \$30M will fund \$28M in capitalized interest (to pay debt service on the Bonds during the 36-month combined design phase and construction phase) as well as \$2M cost of issuance. (see attached *Estimated Sources and Uses of Funds*)

At \$220M design/construction cost and 1,400 beds, the per-bed cost is \$157,142, which significantly exceeds the cost of other recent student housing projects (*see chart below*).

**Per-Bed Cost Comparison**

Approval Date	Univ.	Location	Beds	Per-Bed Cost *	Notes
proposed	UF	Gainesville	1400	<b>\$157K</b>	
Mar 2020	FIU	Miami	700	<b>\$125K</b>	
Jan 2020	FSU	Panama City	400	<b>\$57.8K</b>	P3 project
Apr 2019	FAU	Boca Raton	616	<b>\$87.8K</b>	
Apr 2019	FAU	Jupiter	165	<b>\$91.8K</b>	Includes parking
Nov 2018	USF	St. Petersburg	375	<b>\$81.8K</b>	
Nov 2018	FAMU	Tallahassee	700	<b>\$85.7K</b>	

\*Calculated on project cost, excluding capitalized interest.

According to UF, factors contributing to the higher per-bed cost include significantly increased material costs over the past year as well as added site work tied to the removal of the Broward Recreational Complex.

The Project scope does not include parking, but a large parking garage exists adjacent to the Project, and UF indicated their overall parking system capacity can absorb the Project’s added demand. Furthermore, the Campus Master Plan identifies two future parking garage sites near the Project that, when constructed, will target student parking.

The Project will be funded entirely with Bond proceeds; no cash contribution from the University is anticipated. The Bonds will be issued as 30-year, fixed rate, tax-exempt debt in an amount not to exceed \$250M, issued by the Division of Bond Finance (“DBF”) on behalf of the University, structured with level debt service and a final maturity not to exceed 2051. The Bonds will include capitalized interest during the construction period of the Project.

**Operations amid COVID-19:**

The University continues to have limitations on large gatherings, guest visitations and use of common spaces in on-campus housing, as well as mandatory surveillance testing and mask wearing strategies. Students residing on-campus who test positive for COVID-19, or have contact with someone who has tested positive, are placed in designated beds set aside for isolation and quarantine. As of January 2021, the University had 5,988 students residing in on-campus housing, representing 82% occupancy and 1,895 less students compared to the same period last year. The University plans to return to full on-campus instruction for Fall 2021.

**Demand Analysis:**

UF’s Department of Housing & Residence Life (HRL) operates 25 housing facilities for freshman, transfer and continuing students, as well as five (5) apartment complexes for graduate, family and single-parent housing, with the goal of improving student academic and social engagement. HRL’s current strategic objectives prioritize new construction, capital reinvestment in existing facilities, and supporting the financial stability of the housing system; together, helping advance UF’s national “Top 5” ambitions.

The Project is intended for undergraduate students, specifically Honors students. While the University does not project material growth in undergraduate enrollment (*see chart below*), certain populations are predisposed and/or encouraged to live on campus, namely Honors students (Project population) and student athletes.

	Actual				Projected *		
	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24
Undergrad FTE’s	37,527	37,872	37,938	38,005	38,071	38,139	38,206

\*Based on UF’s 2020 Accountability Plan.

In 2018, UF engaged Brailsford & Dunlavey (B&D) and VMDO Architects to establish a Housing Master Plan (Plan) aligned with their Strategic Plan 2020-2030. While students are not required to live on campus, the Plan found that the Housing System captures over 80% of incoming first-year students (*see chart below*), and there is opportunity to increase capture of sophomores and junior/senior.

**Housing Demand Capture Rates**

	FT Undergrad Enrollment	Residents	Actual capture rate	Demand	Demand capture rate
Freshman	6,769	5,467	81%	5,273	78%
Sophomore	7,813	1,410	18%	1,884	24%
Jnrs & Snrs	16,922	1,002	6%	1,796	11%
<b>Total</b>	<b>31,504</b>	<b>7,879</b>	<b>25%</b>	<b>8,953</b>	<b>28%</b>
				Actual bed count	8,143
				<b>Surplus/(Deficit)</b>	<b>(810)</b>

\* FT = “Full Time”, Fall 2018, undergraduate demand, per B&D study

In light of B&D’s observed capture rates and supply (bed) deficit, it is not surprising that the Housing System typically operates at or above 100% design capacity with annual waiting lists (*see following two charts*).

## Occupancy – Housing System

Fall	Capacity	Occupancy	Overflow Students <sup>1</sup>	Occupancy (% of Capacity)	Total FT Students	% FT Students Residing on Campus
2016	8,040	8,142	102	<b>101.3%</b>	35,518	22.9%
2017	7,980 <sup>2</sup>	7,987	7	<b>100.1%</b>	36,436	21.9%
2018	7,968 <sup>2</sup>	7,989	21	<b>100.3%</b>	37,527	21.3%
2019	7,968	8,065	97	<b>101.2%</b>	37,874	21.3%
2020 <sup>4</sup>	7,299	5,707	0	<b>78.2%</b> <sup>4</sup>	37,880	15.1%

<sup>1</sup> As of 3<sup>rd</sup> week after registration, at which point many overflow students are placed in housing.

<sup>2</sup> Decrease in capacity due to reductions in room occupancy (i.e. triple-occupancy rooms to double, and double to single).

<sup>4</sup> Decreased capacity due to further reductions in room occupancy (i.e. quads and triples to double occupancy (loss of 164 beds) and the closure of buildings for use as quarantine space (loss of 505 beds) to comply with public health related to COVID-19 pandemic.

## Waiting List - Housing System

Fall	Freshman	Transfers	Continuing	Total
<b>2011</b>	105	75	25	<b>205</b>
<b>2012</b>	96	2	16	<b>114</b>
<b>2013</b>	425	47	98	<b>570</b>
<b>2014</b>	510	68	128	<b>706</b>
<b>2015</b>	67	33	42	<b>142</b>
<b>2016</b>	43	26	8	<b>77</b>
<b>2017</b>	6	0	0	<b>6</b>
<b>2018</b>	97	0	18	<b>115</b>
<b>2019</b>	160	59	114	<b>333</b>
<b>2020*</b>	0	0	0	<b>0</b>

\* Due to the pandemic and resulting on-campus housing closures, there was no wait list for 2020.

Per UF, their waiting list averages 250 students annually as of the first day of classes, and **demand for on-campus housing has exceeded supply for the last 27 years** (excluding 2020 due to the pandemic). The Fall 2021 wait list will start this month amid an anticipated return to full on-campus instruction and, for the Housing System, a return to historical occupancy levels. To decrease the number of first-time first-year students on the wait list, HRL strategically assigns students to overflow spaces and offers returning students the opportunity to be released from their contracts through administrative cancellations.

UF currently houses 1,000 Honors Program students, which have a predisposition to living on campus and, via transfer, would immediately fill 70% of Project capacity, leaving a 400-bed excess. In light of the Housing System’s historical excess demand, as well as the planned closure of Rawlings Hall (ca. 1958, 357 undergraduate beds) and anticipated growth of the Honors program, the University anticipates easily filling Project beds to capacity.

It is important to note that the Housing System has not increased rental rates since FY16. The University’s BOT recently authorized rental rate increases of up to 4.5% annually beginning FY21-22 through FY25-26.

The following chart shows historical and projected on-campus rental rates for the predominant types of accommodations available to students in the existing residence hall facilities.

### Housing System Rental Rates per student per semester

	Historical/Current Rates					Projected Rates (subject to change) *				
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
<b>Traditional Halls</b>										
Single Room	\$2,804	\$2,804	\$2,804	\$2,804	\$2,804	\$2,930	\$3,062	\$3,200	\$3,344	\$3,494
Double Room	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,767	\$2,892	\$3,022	\$3,158	\$3,300
Triple Room	\$2,336	\$2,336	\$2,336	\$2,336	\$2,336	\$2,441	\$2,551	\$2,666	\$2,786	\$2,911
<b>Hume Hall (Suites)**</b>										
Single Room	\$3,783	\$3,783	\$3,783	\$3,783	\$3,783	\$3,953	\$4,131	\$4,317	\$4,511	\$4,714
Double Room	\$3,574	\$3,574	\$3,574	\$3,574	\$3,574	\$3,735	\$3,903	\$4,079	\$4,263	\$4,455
<b>Springs Hall (Suites)</b>										
Single Room	\$3,282	\$3,282	\$3,282	\$3,282	\$3,282	\$3,430	\$3,584	\$3,746	\$3,914	\$4,090
Double Room	\$3,060	\$3,060	\$3,060	\$3,060	\$3,060	\$3,198	\$3,342	\$3,492	\$3,649	\$3,813
<b>Cypress Hall</b>										
Single Room	\$3,783	\$3,783	\$3,783	\$3,783	\$3,783	\$3,953	\$4,131	\$4,317	\$4,511	\$4,714
Double Room	\$3,574	\$3,574	\$3,574	\$3,574	\$3,574	\$3,735	\$3,903	\$4,079	\$4,263	\$4,455
<b>Lakeside/Keys Hall</b>										
Apartment	\$3,429	\$3,429	\$3,429	\$3,429	\$3,429	\$3,583	\$3,744	\$3,912	\$4,088	\$4,272
<b>Murphree Hall</b>										
Two Room Double	\$2,815	\$2,815	\$2,815	\$2,815	\$2,815	\$2,942	\$3,074	\$3,212	\$3,357	\$3,508
Two Room Triple	\$2,455	\$2,455	\$2,455	\$2,455	\$2,455	\$2,565	\$2,680	\$2,801	\$2,927	\$3,059

\* Amount subject to change. On 12/4/20, the BOT authorized rental rates increases of up to 4.5% annually from FY22 through FY26. Hume Hall is the current Honors dorm (built 2002, 608 beds).

In FY25 (when the Project opens) projected rental rates for a double-occupancy range between **\$3,159 - \$4,263** per semester. The upper-end of that range is Hume Hall, the current Honors dorm, so the Project's double-occupancy rate of **\$4,355** compares favorably.

### Off-campus Market Analysis:

*“Competition in the off-campus market is significant in terms of location and rental rates...”* (B&D market analysis 2018/19)

At the time of the B&D analysis, there were 7,600 beds within one (1) mile of the campus center (i.e. a 15-minute walk), 4,600 of which were added over the prior 10 years, and there were eleven (11) properties proposed or under construction within four (4) miles of the campus core. This would add over 2,600 beds by 2021.

*“This level of investment will increase the competitive nature of the UF student housing market, and elevate the University’s need to be careful when pursuing new construction and renovation opportunities identified in this Master Plan.”* (B&D market analysis 2018/19)

According to the B&D study, housing options within the 1-mile radius are generally more attractive to students due to their proximity to restaurants, retail and other amenities. For this reason, they are also generally more expensive than on-campus options as well as those properties located further from campus. B&D indicated that there are many other communities offering more affordable price points located further from campus (17%

less, on average, than those in the 1-mile radius); however, those communities typically house graduate/family populations. The student population within the 1-mile radius is mainly non-freshman undergraduates.

**Off-Campus Student Properties (1-mile radius) – Monthly per-person Rent \***

Apartment	Studio	1BR	2BR	3BR	4BR
13th Street		\$1,309	\$809	\$749	\$709
Archstone Luxury Apartments	\$1,149	\$1,429	\$929	\$779	\$814
Ashton Lane II		\$1,389	\$937	\$819	\$819
Ashton Lane Phase I		\$1,339	\$874	\$785	\$819
Avenyl		\$1,455	\$955	\$975	\$895
Camden Court			\$899	\$804	\$774
Cascades Luxury Apartments	\$1,239	\$1,419	\$949	\$844	\$844
College Manor	\$769	\$814		\$620	
Courtyards Student Apartments			\$790		\$559
Greystone Luxury Apartments	\$1,165	\$1,399	\$874	\$819	\$804
Heritage Oaks Luxury Apartments		\$1,285	\$817		
Latitude 29		\$1,299	\$879		
LynCourt Square	\$1,250	\$1,325	\$930	\$885	\$845
Royal Village				\$764	\$724
Royale Palms		\$1,344	\$874	\$809	
Sabal Palms				\$814	\$805
Social 28			\$994	\$944	\$814
Solaria 1024	\$1,224	\$1,459	\$949	\$849	\$854
The Estates at Sorority Row	\$1,079	\$1,449	\$919	\$835	
The NINE of Gainesville		\$1,404	\$1,004	\$884	\$819
The Standard at Gainesville		\$1,280	\$1,205		
<b>Average</b>	<b>\$1,125</b>	<b>\$1,337</b>	<b>\$922</b>	<b>\$822</b>	<b>\$793</b>

\*Per the University, as presented to the BOT on 12/4/20. This is the same property list used in the B&D study, with rents updated by the University to reflect current levels.

UF maintains competitive rates compared to off-campus options (see chart below). In fact, projecting out through FY26, with 4.5% annual increases, their rental rates still compare favorably to average off-campus options.

**Comparative Monthly Rent for UF On-Campus Housing**

Traditional units	Current *	Projected **
Traditional – Single Occ.	<b>\$633</b>	<b>\$789</b>
Traditional – Double Occ.	<b>\$591</b>	<b>\$736</b>
Suite – Single Occ.	<b>\$822</b>	<b>\$1024</b>
Suite – Double Occ.	<b>\$741</b>	<b>\$923</b>
Apartment units		
Undergrad Apt - Single Occ.	<b>\$734</b>	<b>\$915</b>
Undergrad Apt - Double Occ.	<b>\$632</b>	<b>\$788</b>
Graduate/Family Housing	<b>\$605</b>	<b>\$754</b>

\*Per University, as presented to the BOT on 12/4/20. \*\*Based on BOT-approved rental rate increases of up to 4.5% annually from FY22 to FY26.

**Deferred Maintenance:** Part of the impetus for raising rental rates is a significant need for renovation and replacement. Residence halls built in the mid-century (1950-1967) now comprise over 50% of UF’s undergraduate housing stock. With an average age of 62 years, most of these facilities have their original mechanical, electrical, and plumbing (MEP) systems in place, which, on the whole, are beyond their useful life. The B&D study in 2018/19 noted, “*there is approximately \$154M in deferred maintenance needs that must be addressed in the next five (5) years, mostly related to MEP and fire protection systems.*”

Deferred maintenance will be addressed, in part, with the removal of aged/end-of-life facilities, such as Rawlings, UVS and Maguire, which will close commensurate with the Project opening. Also, significant renovations are planned in the next 2-3 years, and the Project plays an integral role in this initiative as it will free up existing beds in other residence halls (example: Hume Hall, 600+ beds), allowing the University to re-shuffle/swing space to accommodate students as ensuing renovations occur.

**Security/Lien Structure:** The Bonds will be issued on parity with UF’s current Housing System debt of \$54.9M, which is payable from pledged revenues. These revenues are derived primarily from rental income, summer special event rentals and other miscellaneous collections after deducting operating and maintenance expenses (“Pledged Revenues”). The Bonds will be payable solely from Pledged Revenues.

**Additional Bonds Test:** As a prerequisite to issuing new parity bonds within the Housing System, an Additional Bonds Test (ABT) is performed to evidence revenue capacity to service the added debt. The ABT requires the average prior two fiscal year’s Pledged Revenues, after adjustments, must be sufficient to cover maximum annual debt service on all Housing System debt at a minimum 1.25x coverage. After adjustments, such as retroactively applying future rental rate increases as well as incremental pledged revenues from the Project, a 1.37x coverage is achieved, as reflected below:

<i>(in 000's)</i>	<u>FY19</u>	<u>FY20</u>	<u>Average</u>
Residence Hall Rents	\$56,544	\$47,776	\$52,160
Housing System Expenses	<u>(39,483)</u>	<u>(35,057)</u>	<u>(37,270)</u>
<b>Pledged Revenues (Unadjusted)</b>	<b>\$17,061</b>	<b>\$12,719</b>	<b>\$14,890</b>
<i>Add:</i> FY22 4.5% Rental Rate Increase <sup>1</sup>	2,544	2,150	2,347
<i>Add:</i> FY25 Project Pledged Revenue <sup>2</sup>	<u>7,849</u>	<u>7,849</u>	<u>7,849</u>
<b>Pledged Revenues (Adjusted)</b>	<b>\$27,453</b>	<b>\$22,716</b>	<b>\$25,086</b>
Average Pledged Revenues (Adjusted)			<b>\$25,086</b>
<i>Divided by:</i> Max. Annual Debt Service			\$18,325
<b>Coverage: (Adjusted)</b>			<b>1.37x</b>

Notes:

- <sup>1</sup> Based on BOT-approved 4.5% (maximum) rate increase in FY22.
- <sup>2</sup> Projected *pledged revenue* from Project’s 1<sup>st</sup> yr operations (FY25).
- <sup>3</sup> Based on 2.5% interest rate. See Debt Service Schedule.

Importantly, if performed after 6/30/21, the two-year lookback period utilized in the calculation of the ABT would include FY21, which was impacted far greater by the pandemic, such that, even with adjustments, the ABT will not meet required coverage and force the University to postpone Bond issuance (and the Project) for at least two years. Hence, to further the UF Housing Master Plan and facilitate revitalization of its Housing System, the Bond issuance must close on or before 6/30/21.

**Pledged Revenues &  
Debt Service Coverage:**

As previously defined in *Security/Lien Structure* above, Pledged Revenues available to pay debt service consist of those generated by UF's entire Housing System, including revenues from the Project.

Historically, the UF Housing System has generated Pledged Revenues sufficient to provide a robust debt service coverage (DSC) of 2.0x or better. However, over the past five years, Pledged Revenues and DSC have trended down. (see attached ***Projected Debt Service Coverage–Project Only*** and ***Historical & Projected Debt Service Coverage-Housing System***). This is due, in part, to the COVID-19 pandemic impacting FY20 and FY21, while prior years reflect the University's election to reduce bed inventory (i.e. changing triple-occupancy to double, double to single, etc.) to provide a better student experience and reduce overflow spaces.

In light of reduced revenues, UF has effectively managed expenses, offsetting increased salaries and utilities with decreases in administrative overhead and repairs & maintenance (the latter still averaged \$6.8M annually prior to the pandemic, per UF). Importantly, the Housing System has maintained staffing/support in anticipation of a return to full occupancy for fall 2021.

As previously mentioned, there have been no rental rate increases since FY16, but the BOT-authorized rate increases should help bolster revenues going forward. Project debt service is based on prevailing tax-exempt market yields, with Housing System revenues (including the Project) projected at the 4.5% annual rental rate increase through FY26, and moderate 3% growth in operating expenses. Deferred maintenance (previously described) may pressure Housing System cash flow depending on the extent to which it funds needed repairs.

As reflected in the projections (attached), DSC falls below the minimum 1.20x in FY 21, for the Housing System. **This is an exception to the Debt Management Guidelines** (i.e. *the 5-year projection of pledged revenues available to pay debt service should provide debt service coverage of at least 1.20x for both existing parity debt and the proposed new debt in all years within the 5-year projection*).

The Project is not viable on its own; it is projected to operate below a 1.0x coverage with deficits absorbed by the existing Housing System's robust operating capacity. The Housing System exhibits healthy coverage in all periods except this year (0.50x coverage). This is due to the pandemic and isolated to the one year. Again, UF anticipates a return to normal



operations and occupancy levels between Fall 2021 and Spring 2022, at which time DSC is projected to jump back to historic levels above 2.0x.

To sustain operations through the current period, the Housing System is relying on its balance sheet to carry operations. As of 12/31/20, cash balances (mostly unearned rent) totaled approximately \$14.6M.

In the event of continued disruption from the pandemic beyond the anticipated Fall 2021 recovery, the University intends to mitigate revenue losses by offsetting eligible Housing System expenses and replacing lost rental income, as appropriate, with non-general funds of the University.

UF has received Federal COVID-19 relief funding, the institutional portion of which is outlined below:

CARES Act (HEERF I)	\$19,149,269
Coronavirus Response & Relief Supplemental Approp. Act (HEERF II)	\$43,236,116
American Rescue Plan Act (ARPA)	\$54,545,123
<b>Total:</b>	<b>\$116,930,508</b>

**Assessment of Private Sector Alternatives:**

The University considered a public-private partnership structure during the evaluation process, but did not find this approach desirable for housing on the main campus as it would require UF to forego control over design, operations and financial benefit. Furthermore, the University is committed to providing a robust living and learning environment for undergraduate students, which it believes is only possible with its direct input, management and operation.

**Return on Investment:**

The Project is expected to achieve an internal rate of return (IRR) of approximately 2.54%, based upon assumptions provided by the University. (see *Projected IRR*).

**Method of Sale:**

The University consulted with the State Division of Bond Finance (DBF). Based on an analysis of current market conditions and the proposed Bond issuance, it was determined that a competitive sale will yield the best results in terms of debt cost and structure.

**Selection of Professionals:**

The Bonds will be issued through DBF, which has contracts with multiple outside professionals who will be engaged as necessary, all of which were selected through a competitive process. DBF has engaged Bryant Miller Olive as bond counsel. The University has engaged Yuba Group Advisors LLC as a financial advisor through a competitive process.

**Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by the University with respect to the request for Board of Governors approval of the Project and issuance of debt. The demand for the Project appears adequate, at a minimum.

Not unlike other SUS institutions, UF's Housing System has been negatively impacted by the COVID-19 pandemic. As a result, the Project

does not comply with the State University System's Debt Management Guidelines; a minimum DSC of 1.20x is not achieved in each year of the 5-year projection. This is mitigated by the following factors: (i) the Housing System's strong operating capacity, historically and projected; (ii) the exception is isolated to FY21 solely, based on projections; and (iii) the Housing System has access to financial resources to support operations through the pandemic and help ensure timely payment of the Project Bonds.

Accordingly, Board staff recommends adoption of the resolution authorizing the proposed Project and financing.