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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III 

Date: April 30, 2021

Re: University of Florida Student Housing Project

As required by Section 1010.62(3)(b)4, Florida Statutes, the Division of Bond Finance (“DBF”) has reviewed and analyzed the information provided to support the University of Florida’s (“UF”) proposed financing of the construction of a 1,400-bed student dormitory on its main campus (the “Project”). DBF has also reviewed the Board of Governors (“BOG”) staff analysis of the Project.

The COVID-19 pandemic and measures taken to combat its spread have had unprecedented operational and financial impacts on higher education auxiliaries, such as on-campus housing. Many of the policies embedded in the BOG Debt Management Guidelines (the “Guidelines”) are not designed to accommodate such extraordinary circumstances. DBF has analyzed the proposed financing for compliance with BOG policies and highlighted the following issues for the BOG’s consideration in connection with its evaluation of the Project.

Projected Coverage Ratios

The Guidelines require the BOG to consider the projected debt service coverage ratio when approving the issuance of debt. The five-year projection of pledged revenues should provide debt service coverage of at least 1.20x for both outstanding debt and for the proposed new debt. UF’s housing system debt service coverage is expected to be 0.5x in the current fiscal year due to the impact of COVID on housing system operations. However, housing system operations and financial performance are expected to normalize as restrictions are lifted and debt service coverage is projected to be 2.2x next fiscal year.

Project Cost and Affordability

The Guidelines do not include metrics on construction cost for new on-campus housing facilities but the project summary provided to the BOG notes that the cost per bed of the proposed Project is significantly higher than recent student housing facilities at other universities approved by the Board. Additionally, the financing of the Project is dependent on rental rate increases for the existing on-campus housing facilities. UF’s Board of Trustees has approved annual rental rate increases of up to 4.5% for each of the next five years which could increase rental rates on existing beds by approximately 25%. However, it should be noted that the rental rate increases are also expected to support additional financing in the near future to renovate older housing facilities and address deferred maintenance needs as phase two of the plan to modernize/update/upgrade student housing on the UF campus. The cost of the Project and affordability of on-campus student housing is a policy decision rather than a debt-related issue for the BOG to consider in evaluating the Project and UF’s plan for student housing.

cc: Marshall M. Criser, Chancellor, Board of Governors
Kevin Pichard, Assistant Vice Chancellor, Board of Governors
Chris Cowen, Senior Vice President and Chief Financial Officer, University of Florida