

MINUTES  
STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
FACILITIES COMMITTEE  
CONFERENCE CALL  
MAY 11, 2021

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Governor H. Wayne Huizenga, Jr., Chairman, convened the Board of Governors Facilities Committee meeting at 2:03 p.m. (ET) on May 11, 2021. The following members were present: Edward Haddock, Sydney Kitson, Charles Lydecker, William Self, and Eric Silagy. Other Board members present included: Timothy Cerio, Ken Jones, Brian Lamb, Alan Levine, Ally Schneider, and Kent Stermon.

1. Call to Order and Opening Remarks

Chairman Huizenga called the meeting to order.

2. Minutes of Committee Meetings

Chairman Huizenga moved that the committee approve the minutes of the Facilities Committee meeting held on March 23, 2021, at Florida Agricultural and Mechanical University. Governor Haddock moved to approve, Governor Kitson seconded the motion, and the motion carried.

3. University of Florida \$250M Debt Authorization for Gator Residential Complex

Chairman Huizenga stated that this action item is a request by the University of Florida (UF) for authorization to issue \$250M in bonds to finance the design and construction of a new multi-building undergraduate residential housing complex on its main campus. The Chairman then introduced, Director of Finance and Facilities, Kevin Pichard, as well as the university's Sr. Vice President and Chief Financial Officer, Chris Cowen, and UF's Board of Trustees Chairman, Mori Hosseini. Chairman Huizenga then recognized Mr. Pichard to present the proposal.

First, Mr. Pichard discussed the scope and demand of the project. He explained that the project consists of four six story buildings with a total of approximately 420,000 square feet. The complex will be comprised of both single and double occupancy units to be offered at rental rates that are comparable to similar units on its campus, and rates that are competitive if not below off campus options as well as peer institutions in our system and peer institutions in the southeastern United States. Mr. Pichard further explained that the demand for on campus housing has exceeded the supply for 27 straight years and that this project will add 1,400 beds to UF's housing system which has currently just

over 9,400 beds. Eventually, it will replace, in part, some aged housing stock and will play a pivotal role in that it will initiate a long term revitalization of UF's housing product.

Next Mr. Pichard spoke about the project cost and stated that it is considerably higher than the housing deals we have seen for the last three years and noted a couple of factors the university identified as inflating those costs.

Mr. Pichard also discussed UF's housing system operations and stated that in December of last year the university Board of Trustees approved an across the board annual rental rate increases for the next 5 years. Despite those increases, projected rents are still competitive with off campus housing and below the rates at peer institutions. Mr. Pichard also stated that the approved rental increase is going to add to the housing system's already robust capacity, which is important because the new complex is projected to operate at a deficit which will be absorbed by the existing system's excess capacity. He then stated that the system as a whole still generates debt service coverage above our required amount.

Mr. Pichard went on to explain that there is an exception to the Debt Management Guidelines as a result of the debt service coverage for this current period which ends in June. Mr. Pichard added that this is not unique to UF and stated that just about every housing system in our system has been dramatically impacted by the pandemic and this appears to be isolated to just this year since the UF plans to return to full operations in the fall and consequently return to healthy debt service coverage. Mr. Pichard then explained how the university would offset any further disruptions created by the pandemic.

Mr. Pichard summarized the proposal and stated that it will be funded entirely with bonds issued by the Division of Bond Finance. The bonds will be structured on a 30 year, fixed rate, tax exempt, with level debt service. Mr. Pichard affirmed that the project is included in the university's Campus Master Plan and the project and its financing was approved by UF's Board of Trustees in March.

Chairman Huizenga then recognized Mr. Cowen and Mr. Hosseini to present any additional information. Mr. Cowen expressed his appreciation for the support during the application process. He also stated that this project is a key component of the vision for the university in stature as a top university throughout the country and anchors the ability to attract and maintain students. It is also UF's first component in moving forward with necessary improvements to the existing housing stock.

Chairman Huizenga then opened the floor for questions. Governor Lydecker said that he would like some feedback on how this project is helping the deferred maintenance at UF. Mr. Hosseini advised that there are housing buildings that are "falling apart". He said that the project's construction costs are high right now, but if the costs come down, the remaining funds will be used to fix the issues in student housing. Governor Lydecker also inquired about whether or not some of the existing housing would come offline. Mr. Cowen advised that some of the stock is beyond repair and would be razed but first there needs to be replacement inventory and he also recognized the need to generate

revenues. Mr. Cowen then explained that UF intends to come back in fiscal year 2024 in order to request additional funding to be used in conjunction with any savings and institutional funding to take care of the remaining stock. Mr. Cowen added that another new facility has been delayed indefinitely since the university realizes the importance of taking care of the existing housing stock.

Chairman Huizenga then recognized Governor Silagy who advised that the costs were coming in high but has confidence that Mr. Hosseini will make sure this project comes in under budget. He also advised that the project will enable UF to modernize the housing. Governor Silagy then said that he wanted to confirm the commitment to take the older stock off line or renovate in order to reduce the O&M on those buildings which can then be used to offset the deferred maintenance on buildings that are worth keeping. Mr. Hosseini affirmed that the issues will be taken care of now and explained that UF has completed studies to identify the issues and that study will be provided to Governor Silagy. Mr. Hosseini also stated that UF is raising \$25M in donations to set aside for maintenance for another building that has gotten funding.

Governor Kitson then asked if Mr. Hosseini would be setting aside \$25M for this project also. Mr. Hosseini advised that the same would be done for this project as well. Governor Kitson also expresses concern over the cost of the project and inquired about 131,000 s.f. of commons space in a dorm. Mr. Hosseini explained that he would take a closer look at that cost for that common space and that he would be involved with the cost of the building. Mr. Cowan added that this is not just a dormitory, it is the signature Honors College which requires far more programming for the honors students and the community in common spaces, classrooms, study spaces, offices, and a wide variety of areas. He also stated that in an ideal setting we want everything to be nailed down in terms of exactly what is being done before coming forward with the financing but because of the issue of having to have the bonds issued before June 30<sup>th</sup>, the project is still being refined and value engineered and therefore some of the space may be adjusted as the scope of the project is finalized. After further discussion, Governor Kitson added that the Board of Trustees has incredible experience with this and proposed that as the budgets are adjusted the Board of Trustees should reapprove the budgets and a plan should be developed where the remaining funds are directed toward deferred maintenance.

Chairman Huizenga then added that internally UF has the target of \$350 per square foot instead of \$550 per square foot. Mr. Hosseini confirmed but stated after additions to the project the cost of construction is going up. He advised that the Board of Trustees will make every effort not to waste any dollars. Chairman Huizenga also asked if Mr. Hosseini would stay, and he said that he would. Governor Levine inquired about the ability to use leftover dollars on another project. Chairman Huizenga advised that any issues can be avoided if the dollars stay in the housing system.

Chairman Huizenga then asked if it is possible to get a commitment for 5 years not to strip \$5M a year from housing to cover administrative costs at the university level which would provide another \$25M to help work on the deferred maintenance for the remaining housing stock and provide the revenues to bond another project. Mr.

Hosseini, said that he does not know what services we provide with that money and it may then have to come from somewhere else. Alternatively, Mr. Hosseini promised that student housing would be in good shape when this project is done. The Chairman said that he asked in order to find out if there was another way to fund the general administrative costs. Mr. Hosseini stated that he will look into that and see if any money can be kept. Mr. Cowen added that there is an initiative to study where money is moving around at the university and why. Governor Silagy then stated that there is a big gap in deferred maintenance and that it will take decades to get it where it needs to be so sweeping money out of the housing system to other parts should be resisted until the housing system is where it needs to be.

Governor Huizenga then explained that typically we would not be approving a project like this until we had everything nailed down and because of COVID and what it did to our financials if we do not bond now, we would not be able to bond for two years. The Chairman further explained that he did not want to set a precedent; however, this project is a lynchpin to improving the housing system, and COVID left UF in a situation that it had no control over, so we are approving a project on the high side and counting on Mr. Hosseini and the others involved on the project to bring those costs down. Mr. Hosseini then stated that the project has been in design for more than two years, however, no one knew that COVID would have such an impact. He further stated that the plan is for UF to be in the top 5 universities in the county and this is part of executing that plan because we are losing honor students and we are trying to keep the students in our state.

Governor Kitson asked that we include in the motion the things we spoke about and added that we want to understand what the needs are going to be and what the revitalization of that system is going to be over time, so we can work together and make sure it happens. Mr. Hosseini advised that they will send a report through the Board of Trustees that will discuss the savings, where it is going, and what they are investing in. Governor Haddock expressed support for this project and suggested looking at policies concerning housing revenues to avoid desperate needs for money looking forward.

Chairman Huizenga moved for a motion to adopt a resolution authorizing the issuance of fixed rate, tax exempt revenue bonds on behalf of the University of Florida in an amount not to exceed \$250million for the purpose of financing a multi-building undergraduate housing complex on the university's main campus, subject to achieving a savings in construction costs and utilizing such savings to renovate existing housing. The University of Florida Board of Trustees will report back to the Facilities Committee at its June 2022 meeting on the reduction in costs. Governor Kitson moved to approve, Governor Silagy seconded the motion, and the motion carried.

#### 4. Legislative Update: FY21-22 FCO Appropriations

Chairman Huizenga introduced the next informational item and stated that this year's Session concluded on April 30<sup>th</sup> and recognize Mr. Pichard to provide a brief summary of this year's FCO appropriations.

Mr. Pichard stated that the PECO allocation was \$131M in funding for 10 projects. The allocation will fully fund the 10 projects. This is a 26% increase over last year's request. In regard to CITF, we asked for \$46M, which was allocated and we are currently working with the universities to identify the projects. Additionally, Mr. Pichard explained that the Legislature is setting aside \$350M for deferred maintenance for state agencies, colleges, and universities. A list of proposed projects will be submitted to the Governor's Office, and each proposal must improve the health and safety of the facility. The Governor's office would submit a funding plan to the Legislative Budget Commission by September 1. We are still looking for some guidance and parameters from the Governor's office and once we have those we will proceed accordingly.

5. Concluding Remarks and Adjournment

There being no further business, Chairman Huizenga adjourned the meeting at 2:55 p.m. (ET) on May 11, 2021.

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Kevin Pichard, Director of Finance and  
Facilities

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H. Wayne Huizenga, Jr., Chairman