STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
University of South Florida
USF Stadium Project; $200M Debt

Project Description: The University of South Florida (“USF” or “University”) is seeking authorization to finance the construction of a new stadium to be located on the University’s Tampa campus (the “Project”).

Project financing will be provided through the issuance of debt by the USF Financing Corporation (the “DSO”) in an amount not to exceed $200M (the “Debt”) together with an equity contribution of approximately $140M cash from the University. The University’s anticipated equity contribution will be comprised of various funding sources, including reserves from non-athletic auxiliaries, student Capital Improvement Fees, broadband license sales, and USF Foundation cash.

The Project will consist of an approximate 35,000-person capacity stadium with multiple premium areas to support the University’s football and women’s lacrosse programs. The Project is expected to have five levels: field level, main concourse, club level, suite level, and press level which provides an opportunity to configure program areas to expand in the future. The exterior of the Project will be designed to fit within the University’s Tampa campus aesthetic and the athletic district. Parking will be accommodated with existing facilities.

Legislative authorization for the Project, per s. 1010.62, Florida Statutes, was obtained in 2022 in Section 9 (‘back of the bill’) of the FY22-23 General Appropriations Act.

Lastly, the Project is included in the University’s approved 2020-2030 campus master plan, as amended June 2023, and it was approved by the DSO Board of Directors and the USF Board of Trustees on May 9, 2023 and June 13, 2023, respectively.

Project Location: The Project will be located in the USF Athletics District, south of USF Holly Drive, on the Sycamore Recreation Fields (see attached “Site Location Map”), allowing for development of the full Project program.

Construction Period: On June 24, 2022, the University initiated a competitive procurement process for design and construction services via Invitation to Negotiate (ITN). Three responses were received from qualified, experienced firms. Barton Malow Builders (builder) and Populous (architect) were selected.

Design work began in late 2022; project scope and budgeted cost is still in development. The construction contract contains a requirement to ‘Design to Budget’. As such, the Project will be redesigned as necessary to bring costs into alignment with the USF-approved program and established budget.

USF management is keenly interested in completing the Project as scheduled to ensure availability for the 2026 football season, and the design/build contract contains liquidated damages of $2M for each home football game missed during the 2026 season.
Debt proceeds would be required as soon as practicable following Board approval. USF anticipates construction commencing in October 2023 and completion in July 2026.

**Project Cost & Building Program:**

The Project cost is estimated at $340M, including design and construction. A contingency will be included, but the amount/percentage has not yet been established.

The initial building program recommendations were developed by Conventions, Sports & Leisure International (“CSL”) and reflected in a ‘Market & Financial Feasibility Study’ prepared for USF in 2017 and updated December 2021. CSL developed its recommendations through an analysis of market characteristics, comparable collegiate stadium characteristics, data collected from approximately 8,600 market surveys (of athletic donors, football ticket buyers, alumni, faculty, staff, students, and other existing/potential constituents distributed via email by the University), and 16 interviews with key athletic donors, corporate sponsors, and stakeholders. Below are key factors from CSL’s study that USF believes could impact building program recommendations:

- USF football attendance trends and the impact a new stadiums would have on such attendance;
- Attendance of new NCAA Division I Football Bowl Subdivision (“FBS”) stadium football programs as a percent of capacity;
- Percent of capacity dedicated to donor seating among new FBS stadiums;
- Percent of capacity dedicated to premium seating; and,
- Diversification of premium seat offerings among new FBS stadiums.

Recent trends in stadium development were considered by the University to further refine the building program and align with CSL’s recommendations. Below are key elements:

- 35,000 seat capacity
- 10,000 Scholarship seats
- 1,900 (approximately) Club, Ledge, Loge and Luxury seats
- 40 Loge boxes
- 24 Luxury suites
- Field Level Club seating with capacity for 800 memberships
- Patio Club

In order to provide the best fan experience and maximize revenue generating opportunities, consideration was given to a stadium design that favors recently constructed venues at other universities.

According to USF, the Project does not include a parking component. Stadium attendance will be accommodated by the University’s existing parking garages and surface lots. As such, the Project will utilize the Parking auxiliary reserves (for construction) as well as its facilities.

**Demand Analysis:**

CSL’s demand study assessed market support for the Project, including historical USF football operations at Raymond James Stadium, local/regional market characteristics, and a benchmarking analysis of American Athletic Conference (“AAC”) stadiums. CSL’s assessment supported demand for the Project, but importantly projected increased attendance. According to CSL, an average 17% increase in attendance is achieved in new stadiums (the increase is generally experienced in the early years, with team performance impacting attendance in later years).

According to USF, historical attendance averages approximately 20,000 per
football game. In light of CSL’s study, USF anticipates an approximate increase of 20% per game (i.e., 24,000 attendees on average) and feels that a 35,000-seat stadium will provide the best experience; create ticket scarcity necessary to drive seasonal sales; maximizing revenues for marquee games; and attract significantly higher attendance via single game ticket sales.

**Financing Structure:**

The $340M Project will be financed, in part, with 20-year, fixed rate, taxable Debt issued by the DSO in the amount of $200M, with a $140M equity contribution from the University. (See attached *Estimated Sources and Uses of Funds*).

The University’s equity contribution is comprised of numerous funding sources, some of which are discussed below:

- **Non-Athletic Auxiliaries ($11.5M)** – this represents accumulated unreserved, unrestricted cash from Parking ($8M), Food Service ($2M) and Bookstore Operations ($1.5M). Board regulation 9.013 governs the proposed use of auxiliary resources and requires certain information be provided to the Board to support the transfer of cash, such as:
  - A description of how the Project will benefit the broader student body or campus community. Per USF, the Project will transform the student-athlete, campus, and fan experience, raise the overall visibility of the USF brand, provide new meeting and event space, and open more opportunities for alumni and donor engagement. Also, while the Project will not include E&G space, and the size/type of ‘meeting and event space’ is undetermined, USF indicated that student-oriented spaces will be accessible to all students.
  - Documentation that a disclosure has been made to students that non-athletic auxiliary revenues, which include student fees or payments, will be transferred to athletics. USF provided a letter from the student government association (SGA) acknowledging the transfer of auxiliary resources.
  - Assurance by the university, with concurrence of the Division of Bond Finance, that such transfer does not violate any bond covenants. USF provided said assurance along with DBF’s concurrence.

- **Student Capital Improvement Fees (‘CITF’, $31M)** – per USF, this represents five (5) annual installments of student CITF fees totaling $31M in aggregate. USF’s SGA provided a letter of general support for the Project, as well as a separate letter acknowledging the commitment of five annual installments of fees not to exceed $31M in aggregate.

- **USF Foundation Cash Advance ($50M)** – this represents a cash advance upfront from the Foundation of current and future gifts/donations. To date, $10M has been committed ($5M paid over 5 years, $5M paid over 10 years). According to USF, the capital campaign is in its initial phases pending completion of the design of the stadium, and the Project budget will be reduced to the extent that less than $50M is collected/committed.

The Debt will have a 20-year final maturity, including the first three years of interest-only debt service (i.e., the construction phase) followed by 17 years of fully amortizing level debt service.

USF management has determined that it is in the best interest of the University and DSO to issue the debt on a taxable basis since much of the Project’s
revenues will be ‘private use’ and/or used by private/for-profit tenants.

The Debt will be in the form of a bank loan from Truist Bank (Truist), selected via competitive selection process initiated in late 2022, and completed in May 2023, that included eight financial institutions. According to USF, a negotiated private placement loan, instead of traditional bond issuance in the public market, is necessary to reduce the cost of financing.

The University preliminarily estimates cost of issuance (closing costs) at $500k, including counsel fees, financial advisor fees, and miscellaneous costs, but anticipates that the final total will be significantly less.

Truist has indicated a fixed interest rate of 5.34%. However, for the purpose of the pro forma projections (discussed in Debt Service Coverage section below), a rate of 5.50% is utilized to account for potential rate volatility prior to closing.

**Debt Security/Lien:** The Debt will be secured by a first lien on certain athletic-related revenues (collectively, the “Athletic Pledged Revenues”), specifically:

- **stadium** operating revenues, including (i) ticket sales revenues, (ii) capital campaign revenues (iii) net concession revenues, (iv) net merchandise revenues, (v) net event parking revenues, (vi) stadium advertising revenues, (vii) non-game day club rentals and other event rental revenues; and
- **non-stadium** revenues, including (a) conference distribution revenues, (b) corporate sponsorship revenues for all athletic programs, (c) athletic event revenues other than stadium project revenues, (d) game guaranty payments from all athletic programs, (e) bowl game revenues, (f) other athletic program revenues including licensing program revenues, interest earnings, and television and website revenues.

The lien on the **non-stadium** revenues described above will be on parity with the lien previously granted to Truist in connection with Promissory Notes, Series 2018A and 2018B (“parity debt”); current balance outstanding of $12.7M (originally issue in 2010 for $20M to finance construction of a basketball practice facility, football practice fields, and baseball/softball stadium).

The University and the DSO are committed to ensuring that sufficient revenues will be generated to fulfill the obligations with respect to the proposed Debt and outstanding parity debt.

**Debt Service Coverage:** Pro forma Project revenues and debt service coverage are reflected in an attached chart titled “5-Year Historical and Projected Debt Service Coverage”.

In the first year of operations (post construction), Athletic Pledged Revenues are projected at $34.2M, largely comprised of **non-stadium revenues** of $28.9M and, to a lesser extent, **stadium revenues** of $5.3M. The **non-stadium** component represents an established revenue base with an annual growth rate of 3% based on historical data.

As for **stadium revenues**, USF pledged a comprehensive set of stadium-related revenue sources (part of overall ‘Athletic Pledged Revenues’) to secure the Debt, including, but not limited to, ticket sales, concession and merchandise revenues, club and event rentals, and advertising revenues. To that extent, the CSL study projected first year total Stadium Revenues of over $20.5M, including $7.6M in
ticket sales, with roughly 3% annual growth. However, for the purpose of the above projections, USF conservatively projected total Stadium Revenue at only $5.3M, largely ticket sales only, with 20% annual growth.

The pledge is a gross revenue pledge, specifically a first lien pledge of Athletic Pledged Revenues, providing a priority for the payment of debt service above operating expenses. As such, calculation of gross debt service coverage from pledged revenues is appropriate and provides debt service coverage of 1.75x in the first year, expanding to 2.30x coverage in the 5-year projection period, exceeding the 1.20x minimum coverage required by the SUS Debt Management Guidelines.

USF intentionally kept the Project pro forma conservative, in light of the inherent unpredictable timing and amount of future revenues. Furthermore, the University has expressed its confidence that the Project (stadium) will eventually be active year-round (not just on game days); it will eventually provide a modest contribution to USF Athletics (as projected by the CSL study); and the annual contribution from donors (and the Foundation) will grow over time as the stadium becomes successful. Also, the University plans to carefully examine and benchmark USF Athletics’ revenues and operations against other key Division I athletic programs to ensure that the University’s investment in USF Athletics is in line with peer institutions and producing an appropriate return for all USF stakeholders.

Benefit to Stakeholders: Aside from the obvious benefit to the football program, USF believes the Project will provide a vibrant, shared campus experience that will contribute to the university’s culture, spirit, and connectedness throughout the year. Furthermore, it will provide students, staff, and faculty with a place to gather, while giving alumni and community members a compelling reason to return to experience the campus and students.

Assessment of Private Sector Alternatives: USF assessed the Project in light of a P3 scenario. The cost would be higher (development, operating and financing costs) and it would place the University in a subordinate position regarding design input, financial benefits, and operational controls. In light of these factors, the University concluded that P3 approach to be disadvantageous, and thus the DSO-financed approach was chosen.

Return on Investment: The Project is expected to achieve an internal rate of return (IRR) estimated at 4.33%, based upon assumptions provided by USF. (See attached Projected Internal Rate of Return)

Method of Debt Sale: The SUS Debt Management Guidelines require that prior to issuing any debt, an analysis be done to assess the relative benefits of a public sale versus a private placement sale. To that extent, first, the Debt is secured by a pledge of non-tax-based revenues, which is considered (by the public market) to be more speculative and vulnerable compared to a general receipts or general obligation pledge of the University. Also, the Project’s pro forma is based on certain assumptions and growth projections that may be viewed in the public bond market as somewhat uncertain or subject to fluctuation. Lastly, the USF Financing Corporation is an infrequent issuer and thus has a limited investor base. Based on these factors, the DSO and USF concluded that a private placement of the Debt is appropriate and in its best interest.
Selection of Professionals: The professionals involved in this transaction were selected through a competitive process. Bond (Debt) counsel will be Bryant Miller Olive P.A.. The financial advisor is PFM Financial Advisors LLC.

Recommendation: Staff of the Board of Governors and the Division of Bond Finance have reviewed the resolution and supporting documentation provided by USF and the DSO. Based upon this review, the proposed financing appears to be in compliance with Florida Statutes and the SUS Debt Management Guidelines, governing the issuance of university debt. As such, staff recommend authorization of the proposed Debt to finance the Project.