

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

August 30, 2023

**SUBJECT:** Authorization to Issue Debt by University of North Florida for an Honors College Residential Hall

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**PROPOSED BOARD ACTION**

Adopt a resolution authorizing the issuance of tax-exempt debt in an amount not to exceed \$86.7M by the Division of Bond Finance, on behalf of University of North Florida, to finance the construction of a new student housing facility located on university's main campus.

**AUTHORITY FOR BOARD OF GOVERNORS ACTION**

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; State University System Debt Management Guidelines.

**BACKGROUND INFORMATION**

The University of North Florida (the "University") is requesting approval to issue \$86.7M in debt (the "Bonds") to finance the construction of a student housing facility (the "Project") on its main campus.

The Project will be a residential hall of approximately 164,350 gross square feet and consisting of approximately 520 beds in a mixture of 2-bed/1-bathroom single and double occupancy semi-suite unit as well as 4-bedroom/1-bathroom apartment-style units. The Project will increase the housing system's capacity by approximately 15% to over 4,000 beds, and it will primarily serve students enrolled in the University's Honors College. Construction is expected to begin in December 2023 and be completed by July 2025.

Bond proceeds will fund Project design and construction costs totaling approximately \$76.9M, including \$10.4M in total contingencies, as well as the cost of issuance and a \$7.6M capitalized interest account to pay debt service during the 20-month design/construction phase. At \$147.6K per bed, the Project has the 2<sup>nd</sup> highest per-bed cost of any student housing project in recent years. The Project is expected to be funded entirely with Bond proceeds, with no cash contribution from the University.

The private firm Brailsford & Dunlavy conducted a demand analysis, updated as of May 2023, which concluded that the University has insufficient existing on-campus housing inventory to meet current and future student demand (i.e., unmet demand was estimated at over 1,200 beds last Fall 2022 and is projected to increase slightly by 2025).

The Bonds will be 30-year, fixed rate, tax-exempt bonds issued by the Division of Bond Finance ("DBF") on behalf of the University with fully amortizing level debt service. At an assumed rate of 5.25%, annual debt service is estimated at approximately \$6M.

The Bonds will not be issued on parity with the University's existing housing system debt, which was issued by a direct service organization, but will be secured by a lien on housing system's net revenues as well as Project net revenues (together, "Pledged Revenue"). In February 2023, the University board of trustees approved a housing rental rate increase of 4.25% per year for the next three years, which has been modeled into the pro forma projections and providing debt service coverage of 1.49x or better during the projection period, satisfying the requirement in the SUS Debt Management Guidelines of a 1.20x minimum coverage. Note, the Project is not viable on its own; it is projected to operate below a 1.0x coverage through FY40, but its deficits will be subsidized by the existing housing system's robust operating capacity.

The Project is included in the University's approved campus master plan, and it was approved by the University Board of Trustees on July 10, 2023.

Board staff and DBF have reviewed the supporting documentation provided by the University. Based upon this review, the proposed financing appears to be in compliance with Florida Statutes, as well as the SUS Debt Management Guidelines, governing the issuance of university debt.

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**Supporting Documentation:**

Information is provided in the Facilities Committee materials