

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
June 27, 2024

SUBJECT: Authorization to Issue Debt by Florida Atlantic University for Student Housing

PROPOSED COMMITTEE ACTION

Adopt a resolution authorizing the issuance of tax-exempt debt in an amount not to exceed \$117.75M by the Florida Atlantic University Finance Corporation to finance the design and construction of a new student housing facility located on the 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

Florida Atlantic University (the "University" or "FAU") is seeking authorization to finance the construction of a new student housing facility (the "Project") on its main campus. The Project will be financed with \$117.75M of debt (the "Bonds") issued by the FAU Finance Corporation (FAUFC), a direct service organization.

The Project cost of \$117.75M, includes design, construction, and equipment for a seven-story, 204,000 gsf facility with 670 beds. The unit mix will be single-occupancy 3- and 4-bedroom semi-suite units with shared bathrooms and a kitchenette. Parking will be accommodated by capacity in the existing parking system. The Project will target non-freshmen, but will be made available for all students, if necessary.

The Project's per-bed cost of \$160.5K will be the highest to date among SUS student housing projects. FAU attributes this to recent inflation and current market conditions in the Boca Raton area.

Construction is expected to commence in December 2024, followed by completion in May 2026, in time for student occupancy in August (Fall 2026 semester).

A feasibility and demand study conducted by Brailsford & Dunlavey ("B&D"), a national professional consulting firm, estimated total demand through fall FY26 at 1,066 beds, exceeding the proposed 670 beds), and recommended the University meet such demand via a phasing-in of several housing projects in the coming years.

FAU has three housing systems, as described in the Project Summary, that is attached as supporting material. The first two systems are debt financed, while the third is internally financed by the FAU Foundation and is not part of the proposed transaction.

The Project will be financed with 30-year, fixed rate, tax-exempt debt, with level debt service issued by FAUFC. The Bonds will be secured by a first lien on the first housing

system's net revenues as well as a second/subordinate lien on the net revenues of the second housing system.

The FAU board of trustees approved on-campus rental rate increases of up to 5% per year for the next three years. Pro forma projections of pledged revenues provide debt service coverage of at least 1.53x, exceeding the 1.20x minimum required in the SUS Debt Management Guidelines.

The Project is included in the University's approved Campus Master Plan and was approved by the University's Board of Trustees on March 30, 2024

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.

Supporting Documentation:

1. Resolution
2. Project Summary
3. Estimated Source & Uses
4. Historical & Projected Debt Service Coverage
5. Schedule of Debt Service
6. Projected Internal Rate of Return
7. DBF Memorandum

Facilitators/Presenters:

Mr. Kevin Pichard