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MEMORANDUM

To: Board of Governors

From: J. Ben Watkins III

Date: October 23, 2025

Re: Florida Gulf Coast University Employee Housing Project

As required by Section 1010.62., Florida Statutes, the Division of Bond Finance ("DBF") has reviewed and analyzed the information provided to support Florida Gulf Coast University (the "FGCU") Financing Corporation's proposed issuance of bonds to finance of the construction of an employee housing system consisting of 74 residential rental units for faculty and staff, located on land owned by FGCU adjacent to its campus (the "Project"). DBF has also reviewed the Board of Governors ("BOG") staff analysis of the Project and evaluated the proposed financing for compliance with the BOG Debt Management Guidelines (the "Guidelines").

DBF finds the BOG staff analysis of the Project satisfactorily addresses the relevant aspects of the proposed financing. However, the novelty of the Project and the pledge of FGCU Foundation payments to support its financial feasibility are policy issues for the BOG to consider in the evaluation of the Project beyond the policies set-forth in the Guidelines. As discussed in the BOG staff analysis, the Project will create a university-owned employee housing system with units offered at below market rates, which FGCU believes will help address recruitment, retention, and stability for its faculty and staff. Additionally, in order for FGCU to offer units at rates 20% below the local rental market, the Project will be subsidized by the FGCU Foundation.

The proposed financing will be the first time the BOG has reviewed a university-affiliated employee housing project, as the Project will be the first-of-its-kind within the State University System. Due to the start-up nature of this auxiliary enterprise, there is no historical financial and operating performance of a university-affiliated employee housing system to support the financial feasibility of the Project; however, the FGCU Foundation is providing credit support so that there is no issue regarding the repayment of the bonds issued to finance the Project. Furthermore, FGCU has engaged Brailsford & Dunlavy ("B&D") to conduct a market analysis assessing demand for the Project and is mitigating demand risk for the Project by implementing its plans for an employee housing system through a phased approach, as recommended by B&D. Based on survey responses from FGCU's faculty and staff, B&D estimates that, at rates 20% below the local rental market, there's adequate demand to support 175-265 units, but the Project will only consist of 74 units. In the event of insufficient demand from faculty and staff, FGCU intends to expand residential eligibility to graduate students and their families.

The revenues pledged for the repayment of the bonds are primarily derived from net revenues of the Project, which are projected to be sufficient to cover debt service; however, FGCU also expects to receive annual support payments from the FGCU Foundation in the early years in order to be able to offer units at below-market rental rates while generating an amount of pledged revenues necessary to produce an annual debt service coverage ratio of 1.20x, as required by the Guidelines. Also, although not anticipated to be necessary, the FGCU Foundation has also agreed to cover the amount of any revenue shortfall that would impact FGCU's ability to pay debt service on the bonds. During the first full year of Project operations (Fiscal Year 2027-28), the support from the FGCU Foundation necessary to meet a 1.20x coverage ratio is expected to be approximately \$250,000 and to decrease substantially year-over-year as the Project stabilizes. If the projections for increased revenues are not met, annual support payments from the FGCU Foundation in excess of the amounts projected may be necessary. As of June 30, 2025, the FGCU Foundation had approximately \$13.5 million of unrestricted net assets available. FGCU plans to repay any Foundation support payments from pledged revenues remaining after the required payments and deposits for operations and maintenance, debt service, renewal and replacement, and subordinated expenses.

We also want to thank the FGCU team for the opportunity to work collaboratively with them to design and develop a credit structure for this novel Project, employee housing, to address credit concerns that would otherwise be present.

cc: Ray Rodrigues, Chancellor, Board of Governors
Kevin Pichard, Director, Board of Governors
David Vazquez, Vice President, Administrative Services & Finance, Florida Gulf Coast University