

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

**Project Summary
Florida Gulf Coast University
Employee Housing Project; \$25M Bonds**

Project Description:

Florida Gulf Coast University Financing Corporation (“FGCUFC”), a direct support organization (“DSO”) to Florida Gulf Coast University (the “University” or “FGCU”), is requesting approval from the Board of Governors (“Board”) to issue fixed rate, tax-exempt bonds, in an amount not to exceed \$25M (the “Bonds”). The DSO will be assisted by the Division of Bond Finance (“DBF”), as financial advisor. In addition, FGCU will contribute an equity contribution of up to an estimated \$5.7M, depending on the final pricing and interest rate of the Bonds, as discussed below in *Financing Structure*. The Debt and contribution will be used to finance the construction of a new Employee Housing project on a university-owned parcel of land just north of the main campus (the “Project”).

The Project cost is estimated at \$24.74M and includes design, construction, and equipment for 74 unfurnished residential rental units, consisting of 56 cottages and 18 townhomes (see chart below). The University anticipates this Project to be Phase 1 of a multi-phase approach, which will ultimately provide an estimated 195 residential rental units for faculty and staff of the University.

Anticipated Project Unit Mix

<u>Unit Type and Configuration</u>	<u># of Units</u>	<u>Sq. Ft./Unit</u>
Cottage – 1-Story, 1-Bed/1-Bath	4	750
Cottage – 2-Story, 1-Bed/1.5-Bath	14	917
Cottage – 1-Story 2-Bed/2-Bath	1	1,031
Cottage – 2-Story, 2-Bed/2.5-Bath	37	1,342
Townhouse – 2-Bed/2-Bath, 1-Car Garage	12	1,620
Townhouse – 3-Bed/2.5-Bath, 2-Car Garage	6	1,780
Total Units	74	

The Project will offer rental rates to FGCU faculty and staff (particularly early-career employees) at an approximate 20% discount to local market rents, providing housing affordability to aid in recruitment and retention. The University plans to offer annual (12-mo.) leases, renewable depending on university criteria, with a maximum duration of three years.

This Project will not be issued on parity with the University’s current student housing system; it will be considered a new housing system. The University plans to additionally separate the operating and maintenance of the Project from its student housing operation and contract with a third-party to manage the facility.

The Project is included in the University's approved 2020 – 2030 Campus Master Plan and was approved by the DSO Board of Directors on August 20, 2025, and by the University's Board of Trustees on September 9, 2025.

Project Location:

The Project will be located approximately two miles north of the main campus, south of College Club Drive, on a vacant 23.5-acre parcel of land owned by the University. The Project site is adjacent to West Lake Village, one of the University's existing student housing facilities, and the Gulf Coast Town Center, a large-scale retail property that supports the nearby residents (see map below).



Design and Construction Phase:

Project planning and design are complete. Soltura Development Group, LLC ("Soltura") was selected to oversee the design, permitting, and construction of the Project. Soltura will deliver the Project pursuant to a development agreement with the University, subject to oversight by FGCU's Facilities Planning Department. According to the University, Soltura will manage the development and construction of the Project for a flat fee of \$2M, to be paid in installments over the construction period. The University plans to enter into Stipulated Sum contracts with Soltura for the construction of the Project, pursuant to which Soltura will enter into separate contracts with each subcontractor; under each Stipulated Sum contract, Soltura will provide the University with a guaranteed maximum price ("GMP") for the construction and will be responsible for delivering the Project for the sum set forth therein.

Soltura has recommended bidding subcontracts for the construction of the Project in a two-step process with separate procurements for the horizontal portion of the construction, consisting of site work, such as earthwork, paving, and utilities ("horizontal construction"), and the vertical portion of the construction, consisting of the buildings ("vertical construction"). The University expects to have a GMP for horizontal construction in October 2025, followed by a GMP for vertical construction in November 2025.

Construction is expected to commence in February 2026, with substantial completion in January 2027. The University expects to make 49 units available to existing faculty and staff following completion, with lease-up at the rate of 9 units/month (estimated in the proforma). The remaining 25 units will be held for incoming faculty until later in the summer, full occupancy targeted for July 2027.

Project Cost:

The Project is expected to cost no more than \$24.7M, including \$21.6M in construction costs, design, equipment, Soltura's \$2M developer fee, and an estimated \$1.49M in contingencies (approximately 7% of the total Project cost net of the developer fee).

Demand Analysis:

In December 2024, the University engaged Brailsford & Dunlavey ("B&D"), a national professional consulting firm specializing in demand/feasibility studies and frequently utilized by SUS institutions, to conduct a market analysis assessing demand for the Project ("the Study"). As part of this effort, B&D analyzed the demographics of the University's faculty and staff population, had discussions to understand their experiences with the local housing market, analyzed demographic trends and rental housing inventory in the area, and conducted a survey to assess faculty and staff preferences, and obtain quantitative market demand data. B&D's findings are reflected in a report dated January 2025 (updated June 2025).

According to the study, the University faces difficulties with employee recruitment, retention, and employee stability due to rising housing costs in Southwest Florida, particularly in the immediate market area surrounding FGCU. Employees, especially those in early stages of their careers, are disproportionately affected by high rental prices and struggle to find affordable housing close to campus. Unlike employees who have been with the University for five years or more, early-career employees tend to have low starting salaries with annual increases varying between 0%-5%, and limited upward mobility (promotions) within the first 5 years, leading to many experiencing prolonged financial stagnation.

The B&D study analyzed current market conditions and trends near the University's campus, as well as the Fort Myers area, to compare rental rates. The study found that despite significant development of new housing in the local South Lee County submarket, the area remains one of the most expensive housing markets in the Fort Myers area. Furthermore, utilizing FGCU-provided data, B&D compared average employee salaries against current market rents to better understand the cost burden to employees. Based on the widely accepted financial guideline that housing costs should be no more than 30% of an individual's gross income, the Study found that FGCU first-year employees are spending anywhere from 34% to 60% on housing costs, with the burden increasing in subsequent years (i.e., rental rates outpace income growth).

	Projected Salary Growth at FGCU (Example Scenario with 2% Annual Increase)			Annual Median Rent as a Percentage of FGCU Average Salaries			Area Market Monthly Rent
	Faculty	Professional Staff	Support Staff	Faculty	Professional Staff	Support Staff	
Employee Year 1 Starting Salary (2025: Current)	\$72,000	\$53,000	\$41,080	34.4%	46.7%	60.3%	\$2,063 (2025: Current)
Example Year 2 Salary (2% Annual Salary Increase)	\$73,440	\$54,060	\$41,902	34.6%	47.1%	60.7%	\$2,120 (2026 Projected)
Example Year 3 Salary (2% Annual Salary Increase)	\$74,909	\$55,141	\$42,740	35.0%	47.6%	61.3%	\$2,185 (2027 Projected)
Example Year 4 Salary (2% Annual Salary Increase)	\$76,407	\$56,244	\$43,594	35.4%	48.1%	62.1%	\$2,256 (2028 Projected)
Example Year 5 Salary (2% Annual Salary Increase)	\$77,935	\$57,369	\$44,466	35.7%	48.5%	62.6%	\$2,321 (2029 Projected)

Currently, FGCU does not offer university-affiliated housing for faculty or staff members. B&D surveyed nearly half of FGCU's faculty and staff and found that early-career employees would highly consider university-sponsored housing, with the greatest demand coming from administrative and professional employees, followed by faculty, and then support staff. FGCU's proposed employee housing will provide financial aid during the first five years of employment, offering rental rates 20% lower than the surrounding market. This will provide more accessible and convenient housing for employees during their first few years of work at FGCU.

B&D estimates current demand for 175 to 265 housing units to accommodate FGCU faculty and staff but recommends a phased implementation (of housing) to meet the demand. As advised by B&D, the Project's 74 units represent an initial phase, and subsequent phases will not be considered until full occupancy and stability are achieved for the Project and there is a demonstrated waitlist (for housing) and/or an updated demand study to support additional inventory. In the event demand for the Project is insufficient to generate adequate revenues to make the required debt service payments and meet the coverage requirements on the Bonds (at least 1.20x), the University plans to expand residency eligibility to graduate students and their families. Based on the demand for student housing and projected enrollment trends, the University anticipates that unmet housing demand from graduate students will be sufficient to ensure the financial feasibility of the Project.

Financing Structure:

The Project will be financed with 30-year, fixed-rate, tax-exempt bonds, with level debt service, issued by the FGCUFC in the principal amount not to exceed \$25M; however, the actual principal amount is anticipated to be less and will vary depending on the Bond credit rating, the final interest rate on the bonds, and market conditions, as discussed below.

For the purpose of the pro-forma projections and the debt service schedule, a principal amount of \$22.5M and a University Cash Contribution of approximately \$3.9M is estimated with an assumed interest rate of 5.00% (provided by DBF). The debt will fund \$1.5M for capitalized interest during the construction period (approximately 16 months), and \$450K for the bond costs of issuance and any municipal bond insurance costs (if deemed necessary and financially beneficial). A debt service reserve fund has not been factored into the bond financing but would be considered if determined necessary to obtain an A category bond rating. If a debt service

reserve is needed, it would be funded from bond proceeds and/or University Funds. The source of the University's cash contribution will its 'administrative overhead' auxiliary, which currently has over \$14M in unrestricted reserves. (See attached **Sources & Uses** and **Estimated Debt Service Schedule**).

Although not the most likely outcome, the University is requesting a not-to-exceed amount of \$25M in anticipation of fluctuating interest rates and the University's goal to minimize the University's cash contribution (see examples below). Ultimately, DBF will size the bonds based on interest rates and the required minimum debt service coverage of 1.20x (as discussed on page 6).

<u>Assumed Interest Rate</u>	<u>4.10%</u>	<u>5.00%</u>	<u>5.75%</u>
Bond Par Amount	\$25,000,000	\$22,540,000	\$20,770,000
University Cash Contribution	\$ 1,338,694	\$ 3,885,495	\$ 5,709,796

Security/Lien Structure: The Bonds will be payable from and secured by Pledged Revenues, comprised of Project net revenues (i.e., gross revenues of the Project, after deducting all expenses payable) plus Support Payments, as defined below.

Pledged Revenues include annual support payments made by the Florida Gulf Coast University Foundation, Inc. (the "Foundation"), a direct support organization of the University, pursuant to a written agreement with the University (the "Support Agreement"), by which the Foundation will contractually pledge to annually transfer such amounts as are necessary to ensure that the Bonds comply with the annual minimum 1.20x debt service coverage covenant(the "Support Payments"). The Support Payments will essentially subsidize (indirectly) Project operations in the early years, enabling the University to charge faculty and staff below-market rental rates, currently anticipated to be approximately 20% below market, while generating adequate Pledged Revenues.

The amount transferred pursuant to the agreement will fluctuate from year-to-year depending on the amount of Net Revenues generated. The annual Support Payments are currently estimated to begin at approximately \$250K in FY28 and to decrease significantly over the 5-year projection period to just over \$15K in FY 2032, based on the projected growth of Net Revenues. If Net Revenues are different from forecasted, the amount of the annual Support Payment will increase or decrease proportionally; a transfer would not be required in any year in which the Net Revenues equal at least 1.20x coverage of debt service on the Bonds. As of June 30, 2025, the Foundation's unaudited unrestricted net position (funds available to make Support Payments) totaled approximately \$13.5M.

**Pledged Revenues &
Debt Service Coverage:**

Pledged Revenues, as defined above, are projected to steadily increase after the Project opens in FY27. Rental rates for the Project will be 20% below market rates with an assumed vacancy rate of 5%. The initial monthly rental rates will range from approximately \$1,740 to \$2,760,

depending on unit configuration. The University based the Project's monthly rental rates on projected monthly local market rental rates (approximately \$2,175 - \$3,450). The projected rental rates assumed a 3% increase annually and include a 2% annual operating expense escalator assumption.

The Project's annual debt service is approximately \$1.49M with an estimated debt service coverage of 1.20x, which meets the minimum required by the SUS Debt Management Guidelines. Debt service coverage is reflected in the attached chart "**Historical and Projected Debt Service Coverage**".

As mentioned previously, the University is requesting a not to exceed amount of \$25M in anticipation of fluctuating interest rates and the desire to limit the University's equity contribution. The Division of Bond Finance, as financial advisor, will ensure the bonds are sized appropriately to achieve the required 1.20x coverage minimum.

The University anticipates using the Pledged Revenues remaining after debt service payments in the following order of priority: to fund rating agency surveillance and annual trustee fees; to fund annual contributions to a renewal and replacement ("R&R") account for the Project (a particular percentage (%) or amount (\$) has not been determined (to be based on a capital improvement program study to be completed every five years by an independent engineer); to reimburse the DSO for subordinate expenses related to the project (including an allocable portion of general administrative overhead, audit expenses and additional insurance premiums); to reimburse the Foundation for its annual support payments pursuant to the support agreement; and to repay the University's equity contribution to the Project.

Additional Bonds Test:

Since the Bonds will be the first issuance of debt for this credit (the Bonds are not being issued on parity with any of the DSO's other capital improvement bonds issued under the Trust Indenture), the DSO is not required to meet an additional bonds test. However, as a prerequisite to issuing future parity bonds, the University and the DSO will be required to demonstrate revenue capacity to service such additional debt.

Assessment of Private Sector Alternatives:

The University considered a public-private partnership (P3) structure during the Project evaluation process but did not find this approach desirable. The University desires to retain greater control over design, operations, and financial benefit of the Project than would be feasible under a P3 scenario. Additionally, under the P3 scenario that was considered, the potential private partner requested a longer lease term than would be permissible. Considering these factors, the University has chosen to finance the Project through the DSO.

Return on Investment:

The Project is expecting to achieve an internal rate of return (IRR) estimated at 7.49%, based upon assumptions provided by the University. (See attached Projected **Internal Rate of Return**).

Method of Sale:

FGCU anticipates the Bonds will be sold competitively. However, because the Bonds are a new credit and will be the first debt issued to finance employee housing within the SUS, it is unknown how the rating agencies and investors will view the credit; therefore, DBF has concluded that maintaining flexibility for a competitive or negotiated sale is in the best interest of the University. Based on an analysis of the credit characteristics of the Bonds and market conditions, DBF will determine whether a competitive or negotiated sale will yield the best results in terms of debt cost and structure.

Selection of Professionals:

The professionals involved in this transaction were selected through a competitive process; Soltura Development (Master Developer), Bryant Miller & Olive PA (bond counsel), and The Division of Bond Finance (financial advisor).

Recommendation:

Staff of the Board of Governors and the Division of Bond Finance have reviewed the resolution and supporting documentation provided by the University. 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 recommends authorization of the proposed Bonds to finance the Project.