USF Research Park Lab and Office Project

Presentation to the Board of Governors

October 3, 2019
Today’s Objectives

• Overview of project
• Description of the financing
• Sources / Uses
• Mitigating our risks
• Review of Coverage / Backing
• Path forward
Project Overview

Planned Expansion

- 120,000 SF office and lab space
- Fowler frontage
- Defines the physical approach to the University and Research Park from I-275
- Flexibility for long-term marketability and economic viability
- Expansion is anticipated in the Research Park DRI* and Master Plan
- Project Cost: $37 million

*DRI = Development of Regional Impact

Project was approved by USF BOT at its June 6, 2019 meeting.
Why? “Aged Out” Lab Spaces

Mechanical systems (installed 1992) have exceeded standard life span of 20 to 25 years.

Hydronic heating piping and valves system has had numerous failures and leaks.
Successful Debt Structuring

• Debt to be issued by USF Financing Corp
• $27 million, taxable, fixed rate bonds – rate will not be set until time of the issuance
• Financing meets all BOG debt management guidelines
• RFP issued, 4 responses received
• Private placement – commitment in hand
• No restrictive covenants
• Deal informed via BOG staff and DBF input
Sources / Uses of Funds
(amounts in thousands)

<table>
<thead>
<tr>
<th>SOURCES OF FUNDS</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
<th>USES OF FUNDS</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond proceeds</td>
<td>$27,000</td>
<td></td>
<td>Core / Shell / Design</td>
<td>$27,038</td>
<td></td>
</tr>
<tr>
<td>Research Foundation equity contribution</td>
<td>15,000</td>
<td></td>
<td>Tenant improvements *</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$42,000</td>
<td></td>
<td></td>
<td>$42,000</td>
<td></td>
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<tr>
<td>Debt service reserve</td>
<td>2,420</td>
<td></td>
<td>Capitalized interest</td>
<td>2,430</td>
<td></td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>2,430</td>
<td></td>
<td>Costs of issuance</td>
<td>112</td>
<td></td>
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</tbody>
</table>

* Tenant Improvements is a reserve that will be held in trust and used to fund tenant improvements during lease-up.
Mitigating Our Risks

• Supported by demand study
• Significant $15M equity infusion – 1/3 down payment
• Funded debt reserve
• D/B structure - Integrated construction / design team
• GMP Fixed Day One
• Partnering with a national broker
• Strong revenue backing – Not project dependent
Strong Coverage and Backing

• Current Research Park pledged income at $4 million
  – virtually carries Project
• Debt coverage (net) of 1.49x in 20/21
• Conservative assumptions:
  • Coverage works at 6% - provides cushion
  • Estimates a 5 year lease-up
• Overall USF impact (after issuance):
  • 1.4% debt service / op expense (Aa2 peers 4.2%)
  • 2.4x cash and investments / debt (Aa2 peers 1.2x)
## Project Timeline

<table>
<thead>
<tr>
<th>Activity</th>
<th>Targeted Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation of project to BOT for information</td>
<td>February 12, 2019</td>
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<tr>
<td>Approval by USF Research Foundation Board</td>
<td>April 23, 2019</td>
</tr>
<tr>
<td>Approval by USF Financing Corporation Board</td>
<td>April 30, 2019</td>
</tr>
<tr>
<td>Approval by USF Board of Trustees Finance Committee</td>
<td>May 14, 2019</td>
</tr>
<tr>
<td>Approval by USF Board of Trustees</td>
<td>June 6, 2019</td>
</tr>
<tr>
<td>Transmit Materials to Board of Governors and Division of Bond Finance</td>
<td>Submitted July 1</td>
</tr>
<tr>
<td>Approval by BOG Facilities Committee</td>
<td>October 3, 2019</td>
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<tr>
<td>Approval by Board of Governors</td>
<td>October 30, 2019</td>
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<tr>
<td>Start of Design</td>
<td>October 2019</td>
</tr>
<tr>
<td>Groundbreaking</td>
<td>January 2020</td>
</tr>
<tr>
<td>Completion of Project</td>
<td>September 2021</td>
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</tbody>
</table>
A new gateway to the forward-thinking USF Research Campus is defined by a partially cantilevered and angled façade that projects an energetic image. The building’s internal lab layout is expressed by the use of a rational and repetitive module in the façade solutions. The building will offer multiple opportunities for tenant signage and serve as a canvas for expression. The building’s window pattern will vary during the day and night.
Requested Action

Approve resolution authorizing the issuance of $27 million of debt to fund the USF Research Park Laboratory and Office Project