

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida International University
Parkview II – Student Housing Facility

Project Description:

In 2017, Florida International University (“FIU” or “University”) submitted a proposal for the financing and construction of a new student housing facility and parking garage on the University’s main campus. The original proposal, approved by the Board of Governors (“Board”) on June 22, 2017, included 656 beds, a 300-space parking garage and ancillary space to service students (together, the “Project”). Total project costs were originally anticipated to be approximately \$66.5 million, financed with \$63 million in bonds (issued by the Division of Bond Finance) and a \$16.4 million cash contribution by the University. Subsequent to the Board’s approval, significant increases in construction costs stifled plans for the Project and, ultimately, it never broke ground. Today, the University wishes to pursue construction of the facility, but the passage of time, cost increases and changes to the Project program necessitate reauthorization by the Board.

As now proposed, the Project will consist of a 13-story residence hall of approximately 300,000 square feet, providing approximately 700 beds (including 20 resident assistant “RA” units) in a mixture of 4-bedroom and studio units, each with a common area and a kitchenette. The building will also include study lounges and space for student education/social activities. Total project costs are projected to be approximately \$87.5 million, to be financed with \$71.8 million in bonds (the “Bonds”) and a cash contribution from FIU of approximately \$23 million.

A parking facility is not included in the new proposal. According to FIU, the existing parking system has sufficient capacity to absorb any increase in demand stemming from the proposed Project. Furthermore, the University will be starting construction of the Miami Dade Transit Depot on campus in the next few months, which is expected to alleviate some demand, plus national trends indicate fewer full-time students with cars.

The Project is included in the current campus master plan, and it was approved by the FIU Board of Trustees on December 5, 2019.

Site Location:

The Project will be located in the central, southern area of the main campus, near academic and student services buildings, food services, and the recreation center. Currently, SW 17th Street runs adjacent the north side of the Project site, but will be relocated to the south side to integrate the Project with existing housing and improve student safety.

Project Design and Construction Phase:

Project design was completed by the global architectural and engineering firm Perkins and Will. Construction management services will be provided by Moss and Associates, one of the largest general contractors in the southeastern United States. The University anticipates a 26-month construction phase, commencing March 2020 and ending May 2022. FIU's goal is to be open and available for occupancy in Fall 2022.

Project Cost and Financing Structure:

The University expects construction and design costs for the proposed housing facility to total approximately \$87.5M, resulting in a cost of \$125,000 per bed (i.e. approximately \$500k for a 4-BR unit with kitchenette and common area) or \$292/sq. ft. According to the University, costs are elevated due to unit configuration (apartment style) and higher costs associated with high-rise construction, such as added concrete and steel for foundation and floors for added strength and greater rigidity due to wind pressure. Note, Project costs include approximately \$3.8M for road relocation, as described in the Site Location section above. Funding for road relocation will come from unrestricted auxiliary fund balance, as approved by the FIU Board of Trustees on 12/5/19.

The Project will be financed with 30-year, fixed rate, tax-exempt bonds issued by the Division of Bond Finance ("DBF") in an amount not to exceed \$71.8M; exclusive of capitalized interest (\$7.4M) and estimated cost of issuance (\$865k), plus a \$23M cash contribution from FIU's housing system. (See *Estimated Sources and Uses of Funds*).

The Bonds will be structured with a level debt service (see "*Bond Debt Service*" schedule), and a debt service reserve is not expected to be required.

**Quantitative Demand
For Project:**

Based on the University’s “Accountability Report”, annual enrollment has steadily grown in recent years to approximately 47,000, with the University projecting modest 1.5% annual growth in enrollment through FY22-23 (see chart below).

FTE Enrollment by Level
(Actual and Projected)

	Actual					Projected				
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23
Undergrad.	35,637	36,257	36,512	37,254	38,534	39,915	40,157	40,660	41,004	41,367
Graduate	7,967	8,015	8,129	8,412	8,401	8,398	8,735	8,697	8,847	9,001
Total	43,604	44,272	44,641	45,666	46,935	48,313	48,892	49,357	49,851	50,368
% Change	-	1.53%	0.83%	2.30%	2.78%	2.94%	1.20%	0.95%	1.00%	1.04%

Enrollment data based on FIU’s 2019 *Accountability Plan* approved by FIU Board of Trustees (Sept. 2019) and the Board of Governors (Oct. 2019)

The University has limited on-campus housing. Currently, 3,714 students live on-campus (inclusive of 411 on the Biscayne Bay campus), representing 7.3% of the student population. FIU’s stated goal is to eventually house 20% of all students on-campus, and the proposed additional beds will result in approximately 10% of the population living on-campus (assuming 100% occupancy). It is important to note that on-campus housing has opened at 100% occupancy for the past two years and, on the first day of classes in fall 2019, there were 712 students remaining on the housing waiting list (for the main campus). Based on demonstrated need, the University does not have sufficient housing capacity to meet student demand.

In addition to conducting its own analysis, FIU Housing engaged Brailsford & Dunlavey (B&D) in fall 2015 and subsequently summer 2019 to update their Housing Master Plan, which included an in-depth on-campus housing demand study; the findings reflected in their report dated May 2019. As part of its analysis, B&D surveyed off-campus multi-family developments in the immediate area surrounding campus, where many students live. B&D identified five (5) within a 2-mile radius, as reflected in the chart below along with comparable on-campus housing options:

Comparison of Existing Housing Options

FIU On-Campus Residency Halls

Housing	Beds	Unit Type/Occupancy	Rent/Bed per Semester*	
			Current	FY22*
Panther Hall	399	2BR Suite, Double	\$2,650	\$2,757
Lakeview South	450	2BR Suite, Double	\$2,650	\$2,757
		4BR Suite, Single	\$3,350	\$3,485
Lakeview North	368	2BR Suite, Double	\$2,650	\$2,757
		4BR Suite, Single	\$3,350	\$3,485
Everglades Hall	383	2BR, Single/Double	\$2,850	\$2,965
University Towers	492	Studio, Single	\$4,350	\$4,526
		2BR Apt, Single	\$4,300	\$4,474
		4BR Apt, Single	\$4,050	\$4,214
University Apts.	590	Studio, Single	\$4,050	\$4,214
		1BR Apt., Double	\$2,850	\$2,965
		2BR Apt., Double	\$2,450	\$2,549
		2BR, Double	\$2,250	\$2,341
		2BR, Single	\$3,250	\$3,381
		1BR Suite, Triple	\$2,922	\$3,100
Parkview I	611	4BR Apt, Single	\$4,300	\$4,474
Total:		3,293		
Project (Parkview II)	697	4BR Suite, Single	--	\$4,600
		Studio	--	\$4,800

Off-Campus Competitive Housing

	Monthly Rent **			
	Studio	1 BR	2 BR	4 BR
109 Tower	--	--	\$1,092	\$993
4 th Street Commons	\$1,597	\$1,695	\$1,070	\$979
Advenir @ University Park	\$2,007	\$2,242	\$1,309	--
Identity Miami	\$1,559	\$1,746	\$1,216	\$1,164
University Bridge	\$1,358	\$1,535	\$1,153	\$982

The above data based on Brailsford & Dunlavey student housing demand report, May 2019. On-campus inventory does not include 110 resident assistant units, and rent does not include meal plan.

**Semester based on 4 months. FY22 rental rates projected with 2% annual increase.*

***Rent is per bed, single occupancy BR. Off-Campus rates inflated to Fall 2021 (based on recent trends), per B&D. Advenir @ University Park does not offer apartments on a per-bedroom basis.*

According to the B&D demand analysis, “By the time the Project is delivered in 2022, the off-campus competition will have nearly quadrupled from 659 beds to over 2,300. [FIU estimates the total at nearly 3,000 beds]. In addition to the increase in off-campus inventory, the average off-campus rental rate is expected to be comparable to the proposed FIU Project. The market reality requires FIU to pursue proactive planning to ensure maximum competitiveness and marketability of its on-campus inventory when compared to off-campus alternatives.” The report went on to note that 109 Tower and 4th Street Commons, in particular, directly compete with the University for residents, advertising themselves as affordable, less-regulated options with more features and amenities than FIU’s on-campus housing.

The University currently offers rental rates that are below those available in the off-campus market, generally speaking, as reflected in the chart above. The highest rental rates on campus are for studio units in University Towers (\$4,350/semester), followed by FIU’s newest hall, Parkview I (\$4,300/semester). Comparably, when the Project opens in FY 2022-23, FIU expects to charge \$4,600 per bed for the 4BR units, \$4,800 for Studio units. Per B&D, affordability and privacy (i.e. single occupancy) are the most important factors in student decisions to live on-campus versus off-campus and, with that in mind, stated “Currently assumed rental rates for 4-bedroom units would be more expensive than the average of those nearby competitive off-campus communities.”. Although the off-campus market poses considerable competition to FIU housing, the campus’ unique position relative to off-campus will continue to advantage on-campus students. Specifically, the campus is bordered by heavy-traffic 6-lane roads, representing a physical barrier to pedestrian traffic, and focus group surveys continually note on-campus parking is a challenge. Consequently, accordingly to B&D, these factors present an advantage to FIU’s on-campus housing, allowing it to withstand the expanded off-campus competition.

In total, B&D’s report supports the proposed Project. For fall 2022 (opening date), B&D projects on-campus demand at 4,348 beds, which is 1,050 over current inventory and 350 beds in excess of the Project’s 700 (approximate) additional beds.

Assessment of Private Sector Alternatives:

The University considered a public-private partnership structure during the evaluation process, but does not find a multi-system approach desirable for housing on the main campus as it would bifurcate the Housing System, require FIU forego control over design, operations and financial benefit, and, the addition of the existing housing represents little risk in light of the financial strength of the existing Housing System. Furthermore, the University is committed to providing a robust living and learning environment, which it believes is only possible with their direct input, management and operation.

Security/Lien Structure:

The Bonds will be issued on parity with FIU's current Housing System debt of \$81.3M, which is payable from pledged revenues. These revenues are derived primarily from rental income, summer special event rentals and other miscellaneous collections after deducting operating and maintenance expenses ("Pledged Revenues"). The Bonds will be payable solely from Pledged Revenues.

Pledged Revenues & Debt Service Coverage:

The Bonds will be issued as tax-exempt fixed rate debt. As required, a rate of 5% is assumed for the purpose of evaluating the Project's financial feasibility, debt service and operating projections. According to FIU, the actual interest rate is anticipated to be 1.0-1.5% less.

According to FIU's forecasts, the Project is expected to generate net operating income of \$5M to \$5.2M annually, which is sufficient to pay annual Bond debt service of \$4.8M, but, at the assumed 5% interest rate, yields a debt service coverage ratio of only 1.04x to 1.07x. (See *Projected Debt Service Coverage – Parkview Hall II only*). However, revenues available to pay debt service consist of Pledged Revenues (as previously defined in Security/Lien Structure section above), which are generated by FIU's entire Housing System, including revenues from the Project. To that extent, FIU's housing system is operationally robust, as evidenced by continued 5-year growth in Pledged Revenues and debt service coverage (DSC); \$13M to \$13.8M, and 1.34x to 1.86x, respectively. Importantly, the addition of the Project in FY2022-23 increases Pledged Revenues to over \$18M and generates debt service coverage system-wide of 1.49x. (See *Historical and Projected Debt Service Coverage – Housing System*).

Interest payments on the proposed debt during the 26-month construction period will be paid from capitalized interest (See *Estimated Sources & Uses*).

Return on Investment: The Project is expected to achieve an internal rate of return (IRR) estimated at 3.99%, based upon assumptions provided by the University. (See *Projected IRR*)

Method of Sale: The University concluded that a competitive sale will yield the best results in terms of debt cost and structure.

Recommendation: Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by the University with respect to the request for Board of Governors approval of the Project and issuance of debt. The demand for the Project appears adequate and University-provided projections indicate sufficient System Revenues to service the additional debt.

It appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt as well as Board of Governors Debt Management Guidelines. Accordingly, Board staff recommends adoption of the resolution authorizing the proposed Project and financing.