

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
September 16, 2020**

SUBJECT: Florida Agricultural and Mechanical University (FAMU or University) modification and payment deferral of Historically Black College and University (HBCU) loan.

PROPOSED COMMITTEE ACTION

Approve the deferment and modification of FAMU's housing system loan through the U.S. Department of Education HBCU Capital Financing Program, approve the extension of maturities, and prohibit the transfer outside the housing system of funds made available by reimbursement or deferment, in accordance with the original approval.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1010.62, Florida Statutes; and Florida Board of Governors (Board) Debt Management Guidelines.

BACKGROUND INFORMATION

In September 2018, the Board authorized the issuance of debt, on behalf of FAMU, in the amount of \$125 million through the U.S. Department of Education's (US DOE) HBCU Capital Financing Program (the "Loan"). The Loan restructured and refinanced all the university's existing housing revenue bonds totaling approximately \$55 million, as well as provided \$70 million to fund the construction of a new 700-bed housing facility and associated dining hall.

The Loan, structured similar to a bond, was made to FAMU by Rice and Rice Capital Access Program, LLC (as the Designated Bonding Authority for the HBCU Capital Financing Program) through the issuance of four series of bonds secured by promissory notes; the Series A 2019-1 Bond, Series A 2019-2 Bond, and Series A 2019-3 Bond (collectively the "Refunding Series A 2019 Bonds"), which together, refinanced existing debt; and the Series A 2019-4 Bond, which funded construction of the housing and dining facilities.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized the US DOE Secretary to modify the terms and conditions of the HBCU Capital Financing Program loans, and to defer the payment of principal and interest on the accompanying promissory notes. FAMU applied for deferment and modification of the Refunding Series 2019 A Bonds portion of its Loan and the US DOE Secretary has determined that FAMU meet the requirements for modifications under the CARES Act. US DOE has provided FAMU with a written option to modify its Loan by submitting the required documentation and timely execution of the associated transactional documents. Some of the transactional documents must also be executed by the Board.

The Loan modification provides reimbursement of payments made from April 2020 to September 2020, resulting in FAMU receiving a refund of prior payments totaling approximately \$1.8M. The deferment term will terminate upon the earlier of a) absence of Congressional appropriation or b) termination of the national public health emergency related to the coronavirus. Debt service on the Refunding Series A 2019 Bonds totals approximately \$379,527 per month, and all deferred payments, both principal and interest, will be added to the end of the promissory note for each series, effectively extending the Loan maturity.

The refund of prior payments, as well as future deferments, can provide near-term capital to address deferred maintenance and ongoing repairs.

Because the proposed deferment results in an extension of the maturities under the Loan, the SUS Debt Management Guidelines require Board authorization of the proposed transaction.

FAMU's Board of Trustees approved the proposed deferment on September 3, 2020.

Supporting Documentation: 1) FAMU Board of Trustees Resolution

Facilitators/Presenters: Mr. Kevin Pichard