STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Seminole Boosters, Inc.
College Town II Refinancing

Project Description: The Seminole Boosters, Inc. ("Boosters" or "SBI") has submitted a request to the Board of Governors (the "Board") for approval to issue $28M in debt (the "Loan") to replace the original financing guaranteed by the developer associated with the construction of College Town phase II (the "Project"); buyout of the developer ownership interest; and fund, in part, the buyout of outside investors in the Project.

The Boosters is a direct support organization of Florida State University ("FSU" or "University") that provides financial support for the intercollegiate athletic programs. The proposed Loan will refinance outstanding debt on the Project, a mixed-use facility containing 86 student housing units (195 beds), approximately 21,000 square feet of commercial space, 544 parking spaces, and is part of a larger, three-phase development called "College Town" located just south of FSU's campus. A more detailed discussion of the College Town development can be found in the Project Summary for the proposed College Town I refinancing.

This is an off-campus facility, but adjacent to campus, built on property owned by T'Alley Properties, LLC, a wholly owned subsidiary of the Boosters. The Boosters are 100% owners (directly or via subsidiaries) of College Town phases I and III, and their goal is to acquire 100% ownership of phase II as well. The Project is managed, as part of College Town, through an operating agreement with a private management company.

The Project is not included in FSU's Master Plan due to it not being located on the campus or on property directly owned by the University. The proposed refinance transaction was approved by the Booster's Board of Directors on January 30, 2020, the FSU Athletic Association, Inc. Board of Directors on March 20, 2020 and FSU's Board of Trustees on March 23, 2020.

Facility Site Location: The Project is located on the corner of Madison Street and Woodward Avenue, approximately two blocks south of the Florida State University campus (the "University"), well within walking distance for students.

Projected Start and Opening Date: Project construction commenced in 2015, with construction completed and the facility full operational by year-end 2016.

Demand Analysis: Currently, FSU has 42,876 students, but is only equipped to house approximately 6,733 students on campus, which forces the remainder to rely on off-campus housing, helping to support demand for the housing component of College Town. Additionally, commercial retail space, within College Town as well as the immediate surrounding area, is leased-up with national retailers and restaurant chains such as CVS, Urban Outfitters, Brooklyn Bagel, Jimmy Johns, and Publix. College Town, as a whole, is 99% leased in residential and 100% commercial (phases I and II; phase III does not have a commercial component). More specifically, according to the Boosters, the Project's residential and commercial space is 100% leased for the 2019-2020 school year, and it has experienced average occupancy rates of 96% (residential) and 71% (commercial) since 2016. The commercial component was still in lease-up in 2016 (17% occupied), hence the lower average. As an aside, College Town I is currently 100% leased (residential and commercial), while College Town III (opened early 2019) is leased 99% residentially (no commercial component).

There is no restriction limiting residency solely to FSU students; it is open to anyone. However, because of the Project's location and the Booster's goal to support the University, marketing efforts are directed entirely to FSU students. Furthermore, according to the Boosters, the current resident population of College Town is comprised of FSU students.

Residents of College Town have their own designated parking. Due to its location, a majority of residents walk to campus and leave their cars at home. Note, phase III included a parking garage, in part, replacing 108 surface spaces for phase I residents. All College Town parking provides spaces for retail customers as well.

Approvals: Approval of the Board of Governors was not required when construction of Phase I and Phase II (the Project) were initiated. However, in 2016, the SUS Debt Management Guidelines were amended, resulting in the third phase; College Town III, being submitted to the Board and subsequently approved in January 2017. At that time, the Board was provided an overview of the status of the phases I and II as well as a proposal for short-term financing on phase I.

Project Cost, Ownership

& Financing Structure: The Project's original construction cost totaled approximately $39M, financed with a $23M loan from Mutual of Omaha (guaranteed by the developer entity, Urban Street Development – CT2, LLC), a $9.3M loan from T'Alley Properties LLC (a Boosters subsidiary) and a $6.7M equity investment from outside investors. The current ownership structure is as follows:

College Town II ownership

Owner entities	Description	% owned
T'Alley Properties, LLC	Booster subsidiary	40.6%
Urban Street Development - CT2, LLC	Developer	30.0%
CTI-2, LLC	Outside Investors	29.4%
		100.0%

The proposed $28M Loan will be for a 10-year term, with monthly payments based on a 30-year amortization, level debt service, and a fixed interest rate locked-in at closing based on 10-year US Treasury + 2.05% (currently 3.63%). Loan proceeds will be used to pay-off the $22.9M note to Mutual of Omaha associated with the construction of the Project that is currently held and guaranteed by the developer. Also, the Boosters plan to use $1.85M to buy out the developer interest in the Project, an option available to them this year pursuant to the operating agreement. Lastly, approximately $3M will be used to fund, in part, the buyout of outside investors in the Project. (See attached *Estimated Sources & Uses of Funds*).

According to the Boosters, a full buyout of the outside investors in the Project would require $6.957M (as of 9/30/19), but they are working with the investors to potentially donate their interest or put it into a Pooled Income Fund to reduce the buyout. The $3M from the proposed Loan will be combined with the $1.8M derived from the refinancing of College Town I for such purposes.

It is important to note that, based on discussions with the Boosters, they do not plan to seek new/additional debt for over 10 years; until 2033, to be specific.

Security/Lien Structure: The Loan will be secured by a first lien on the net operating income (net revenues) from the Project, as well as a first mortgage on the Project. This loan will be non-recourse to the Boosters.

Taxable vs. Tax-Exempt Based on discussions with its Financial Advisors, FSU believes the proposed refinancing of Project debt should remain as private placement taxable debt, as 1) a bond issuance would result in an investment grade rating below that allowable in the SUS Debt Management Guidelines; 2) the project is expected to cause Unrelated Business Income to the Boosters, which will adversely affect the ability to issue tax-exempt debt; and 3) if, in the future, the Boosters were to dispose of the project prior to final maturity of the debt, remedial action (including redemption of the bonds) would likely be required if financed by tax-exempt debt.

Pledged Revenues & Debt Service Coverage: Pledged revenues include the net operating income for the Project, which appear sufficient to service the proposed Loan.

The Project opened during the 2016-17 academic year and has experienced strong demand since inception. Based on Booster-provided financial data and projections, since 2017; the Project's first full year of operations, revenue has grown 21% to $3.8M, overshadowing a 17% expansion in operating expenses, resulting in annual net operating income (pledged revenues) of over $2M. Pledged revenues are projected to average $2.5M over the next few years, with slower, more stable growth in subsequent years. Historical coverage ratios have remained healthy, with the lowest at 1.62x, while future debt service (post refinancing) is projected to be 1.67x or higher. Note, the debt (and related debt service) to Booster subsidiary T'Alley Properties will be subordinate to the proposed Loan, thus it is not included in the projections. (See attached *Historical and Projected Debt Service Coverage*)

Quantitative Metric / IRR: The Project is expected to provide a positive internal rate of return of 9.88% and generate approximately $900k - $1M per year of additional revenues (5-year average, post refinancing) that will enable the Boosters to continue to contribute to the FSU Athletic Department. All calculations are based upon assumptions provided by the Boosters.

Type of Sale: The method of sale will be a "bank loan" or "private placement" with a bank or other financial institution selected via competitive solicitation process. Currently, it appears that the Boosters will place the note with Ameris Bank. Due to the nature and security of the project, a public offering, which would require significantly more issuance cost, is not cost effective. Also, the security and structure lends itself to a negotiated method of sale. This is a stand-alone debt (it is not cross-collateralized with phase II and III) and has a stand-alone pledge of Project net revenues (unlike more typical public debt issued on parity with system-wide revenue pledges). Fundamentally, this type of pledge is more difficult to place in the public market.

Selection of Professionals:

The professionals involved in this transaction, including the Financial Advisor (Berkadia), Bond Counsel (Board and Cassel) and Financial Institution (Ameris Bank), have been selected pursuant to the SUS Debt Management Guidelines and a competitive solicitation process.

Analysis and Recommendation:

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by Florida State University Seminole Boosters, Inc. with respect to the request for Board of Governors approval for the subject refinancing. The Project appears operationally stable, based on Booster-provided projections, and will generate sufficient net revenues to service the proposed debt.

It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and is in compliance with the Board of Governors Debt Management Guidelines.

However, it is noted that the proposed $28M note is for a term of 10 years, thus the fixed rate is for 10 years only. After 10 years, the remaining balance, if any, may need to be refinanced for the remaining 20 years. This subjects the Boosters to interest rate risk. If interest rates are substantially higher at that time, it may result in higher debt service and reduced potential net revenue from the Project (College Town phase II).

Staff of the Board of Governors recommends adoption of the resolution authorizing the proposed refinancing.