

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
Florida International University
University Housing Project - Phase I (BT-889)**

- Project Description:** The proposed housing expansion project will be constructed on the Florida International University's main (Modesto A. Maidique) campus and will provide an additional 620 beds to the existing capacity of 3,000 students in the housing system (Biscayne Bay & Main Campus). The project will be constructed as four bedroom suites, each bedroom designed for single occupancy, with one bathroom and a shared common area housing a total of four students. Serving residents will be community lounges, a multipurpose room and other spaces which are provided to accommodate residential life programs and activities. In addition, four staff apartments will be provided to house full-time professional staff members and graduate assistants. The project will include approximately 300 parking spaces underneath the facility and some ancillary space to service the residents. The parking spaces at this facility will only be available to the residents of the facility and will not be designated as part of the University's parking system. The parking is directly related to student housing and revenues from resident parking fees for the project shall be considered as revenues of the housing system. It is anticipated that Phase II of the project, consisting of an adjacent building that will also include 620 beds, will be constructed approximately two years later.
- The project is included in the current Campus Master Plan.
- Facility Site Location:** The proposed project will be located in the central, southern area of the Modesto A. Maidique campus of the University.
- Projected Start and Opening Date:** It is anticipated that construction of the project will commence in February 2012 and that the project will be open and available for occupancy in July 2013.
- Demand Analysis:** The University has very limited on-campus housing. The student body now exceeds 42,000 headcount, with only 3,000 students living on-campus. The University's goal is to house 20 percent of the total full-time student body by the year 2016. In order to achieve this goal,

the University must construct an additional 3,000 bed spaces. With the addition of a Law School, Bowl Championship Subdivision Football, and the Medical School, the University is anticipating unprecedented growth in demand for on-campus housing services. The current housing need at the Modesto A. Maidique Campus is estimated at 1,240 additional bed spaces. Demand on the main campus for university housing exceeded 100% occupancy in Fall 2010, with in excess of 300 students on the waiting list. The university stopped accepting housing contracts once the waiting list exceeded 300.

Although off-campus housing has been an acceptable alternative for some students, rising costs and limited availability are two prohibitive factors. Off-campus apartment rental rates have increased consistently over the past several years and this trend is expected to continue for the foreseeable future. The immediate area surrounding the Modesto A. Maidique Campus is fully developed and primarily consists of retail shops, restaurants and single family homes.

The University, with a present total bed capacity of 3,000 students, does not have sufficient housing capacity to meet its growing student enrollment. Many students who desired on-campus housing on the Modesto A. Maidique Campus this year had to be placed in housing on the Biscayne Bay Campus. The University will increasingly depend upon the availability of on-campus housing in order to attract high quality students with greater diversity. The construction of additional undergraduate and graduate student housing is critical to the achievement of the University's goal to become a top public urban research university.

**Project Cost and
Financing Structure:**

The total project cost, which includes construction and associated design costs, is estimated at \$45 million (\$39 million housing, \$6 million parking). The project will be funded through bond proceeds and an approximately \$5 million contribution from the housing system cash reserves. The project will be financed with fixed rate, tax-exempt revenue bonds issued by the Florida State Board of Administration's Division of Bond Finance, on behalf of Florida International University, in an amount not to exceed \$47,500,000. The bond issue will be structured with a 30 year final maturity and

approximately level debt service. Approximately \$4.3 million of the debt may be used to fund capitalized interest during the construction period and \$3.4 million will be used to fund a debt service reserve

(See Attachment 1 for an estimated sources and uses of funds).

Security Structure:

Net housing system revenues will be pledged for the payment of debt service on parity with the system's outstanding debt. These revenues are derived primarily from rental income, summer special event rentals, the net revenues from the parking spaces associated with this project and other miscellaneous collections after deducting operating and maintenance expenses ("Pledged Revenues"). When the facility opens in FY2013-14, the projected rental rate for fall and spring semesters is \$4,000 per bed for the four-bedroom suites. These rates are consistent with rental rates for existing facilities at the University and across the State University System.

The debt will be payable solely from the Pledged Revenues and secured as to the payment of principal and interest, on a parity with the State of Florida, Florida Education System, Florida International University Housing Facility Revenue Bonds, Series 2004A the State of Florida, Board of Regents, Florida International University Housing Facility Revenue Bonds, Series 1998 and the State of Florida, Board of Regents, Florida International University Housing Facility Revenue Bonds, Series 1998 by a lien on the Pledged Revenues. Currently, \$74,910,000 in aggregate principal amount is outstanding.

Pledged Revenues and Debt Service Coverage:

For the entire system, during the past five year period from FY2005-06 to FY2009-10, Pledged Revenues grew from \$8,036,998 in 2005-06 to \$10,511,689 in 2007-08 due to the opening of a new residence hall. Pledged Revenues remained relatively flat at \$10,273,064 for FY 2008-09, and \$10,307,716 in 2009-10. This resulted in annual debt service coverage of 1.24X in 2005-06, 1.32X in 2006-07, 1.47X in 2007-08, 1.44X in 2008-09 and 1.45X in 2009-10. Mandatory meal plans are included at certain facilities with the revenues offset by expenses resulting in no impact on pledged revenues.

Projected revenues are estimated to decline from \$10.3 million for Fiscal Year 2009-10 to just under \$10 million for Fiscal Year 2010-11 primarily due to projected growth of expenses outpacing that of

revenues. For Fiscal Years 2010-11 to 2014-15, Pledged Revenues for the system are projected to grow from \$9,997,429 to \$14,120,742 and produce debt service coverage of 1.40X in 2010-11, 1.35X in 2011-12, 1.42X in 2012-13, 1.30X in 2013-14 and 1.34X in 2014-15. For FY2013-14, the first year of operation of the Project, the system is expected to generate Pledged Revenues of \$13,790,220 and produce an annual debt service coverage ratio of 1.30X. The coverages for 2011-12 and 2012-13 assume that interest payments on the proposed debt during the 18-month construction period through August 2013 will be provided from proceeds of the debt. Without the use of capitalized interest, the coverages would be 1.01X and 1.11X for Fiscal Years 2011-12 and 2012-13, respectively.

The projected debt service coverages have been calculated using an interest rate of 6 percent. The projected revenues are based, in part, upon 3 percent annual rental rate increases through FY2014-15. Annual operating expenses are expected to increase by approximately 2 percent per year.

A detailed schedule with the five year history and a five year projection of the Pledged Revenues, annual debt service coverage and maximum annual debt service coverage are included in the Attachment II.

Type of Sale:

The Division of Bond Finance will make a determination to sell the Bonds through either a competitive or a negotiated sale based on market conditions at the time of sale.

Analysis and Recommendation:

Staffs of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University with respect to the request for Board of Governors approval for the subject financing. The pledged revenues have historically generated positive debt service coverage and are projected to continue to provide adequate debt service coverage in the future based on what appear to be reasonable assumptions as to revenue and expenditure growth. Further information provided by the University supports the conclusion that the parking being constructed, with proceeds of the housing bonds, is functionally related to the housing system. It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and the Board of Governors Debt Management Guidelines. Accordingly,

staff of the Board of Governor's recommends adoption of the resolution authorizing the proposed financing.