

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
University of Central Florida
Academic Village and Greek Park Expansions**

Project Description: The University of Central Florida (the “University” or “UCF”) currently provides beds for approximately 3,780 students plus 84 fraternity and sorority students in the Housing System on the University’s main campus. The Convocation Center Housing provides approximately 2,000 additional beds on the University’s main campus. The proposed Academic Village and Greek Park Expansions will provide an additional 670 residence hall beds, approximately 40 beds in a Greek fraternity/sorority house, an administrative center, a central chiller plant and other capital improvements to the University Housing System (collectively referred to as the “Project”).

Facility Site Location: The proposed residence halls (the “AV Expansion”) and the central chiller plant (the “Chiller”) will be located in the south section of the University’s main campus in Orlando, Florida adjacent to current student housing.

The fraternity or sorority house and administrative center (the “Greek Park Expansion”) will be located in the northwest corner of the University in Greek Park (Greek Park, Lot 1).

The capital improvement items (the “CIP Repairs”) are to be made to existing residence facilities in the Academic Village as well as the Lake Claire Halls, located in the northwest quadrant of campus and Osceola Hall, located on the southwest side of the academic core.

The Project will be consistent with the University’s 2010 Campus Master Plan upon the execution of the University’s Campus Development Agreement (the “CDA”) with the local host government. The Board of Governors’ adoption of the resolution approving the issuance of the Bonds is contingent upon the successful negotiation and execution of the CDA.

Projected Start and Opening Date: It is anticipated that all portions of the Project will run concurrently, with the design phase of the Project completed in spring 2011, construction beginning in May 2011, and the new facilities opening

for the fall 2012 semester. The CIP Repairs on the existing facilities will also be completed by fall 2012.

Demand Analysis:

The primary targeted market for the AV Expansion will be traditional single, undergraduate students, with particular emphasis on the University's First Time in College ("FTIC") population. Because the University has very limited University owned, on-campus, nine month housing, priority is given to freshmen. Spring 2011 occupancy rates were 98.5% for the University Housing System and 97.5% for the Convocation Housing. Currently, the University is only able to house 70% of fall FTICs and 60% of summer FTICs. In order to enhance first year retention rates, the University has set a goal of housing 80% of fall FTICs; thus, a need exists for more on campus nine month housing to meet this goal. The current housing inventory allows returning residents to participate in a lottery for approximately 500 beds. Over the past three years, an average of 650 second year students and 570 other students have been turned away per year.

The primary targeted market for the Greek Park Expansion will be active fraternity and sorority organizations. Two Greek organizations have expressed interest in immediately occupying the new facility. Each resident of the Greek Park Expansion will have an individual housing agreement with the University's Department of Housing and Residence Life. In addition, the Greek organization will pay to lease the common areas within the facilities. In 2008, the University purchased and remodeled two Greek properties and is operating them as part of their Housing System with success. On-campus housing and the involvement of students in campus life activities are an integral part of the goals of the University. The University believes that the Housing System's oversight of the Greek houses provides a more stable environment for the fraternity/sorority students to have a complete student experience. In addition, inclusion of these facilities in the Housing System allows for consistent operations and maintenance similar to other existing housing, and contributes to the University's administrative overhead costs.

The Chiller will immediately serve the AV Expansion. It was determined by the University Department of Energy and Sustainability that a chiller plant would provide a more economical and efficient use of HVAC than stand alone units at individual facilities. The infrastructure for the Chiller will be constructed to

accommodate the future addition of the existing residence halls on the Academic Village site as their current HVAC systems reach the end of their useful life. The University has been able to achieve significant savings by addressing energy usage in the beginning of projects.

The CIP Repairs include the completion of a security camera project and Phase I of a wireless Ethernet project. Both of these projects are for the entire Housing System. Also included are 15 roof replacements and 180 HVAC unit replacements at the Lake Claire and Osceola Hall facilities. The roofs were installed in 1993-1994 and are nearing the end of their life cycle, as are the HVAC units.

**Project Cost and
Financing Structure:**

The total construction cost of the proposed Project is estimated to be \$44,321,794. This includes planning, construction and equipment costs of \$33,292,800 for the AV Expansion, \$3,828,994 for the Greek Park Expansion, \$4,200,000 for the Chiller and \$3,000,000 for the CIP Repairs. While normal University practice is to pay for CIP Repairs from their Repair and Replacement Fund (the "R&R Fund"), they prefer to maintain that fund for emergencies and unexpected repairs. The University is including these CIP Repairs in the Project because they are planned. Currently, the University has a balance in the R&R Fund of \$2.9 million.

The Project will be financed with fixed rate, Housing System revenue bonds to be issued by the Division of Bond Finance of the State Board of Administration in an amount not exceeding \$55,000,000 (the "Bonds"). A debt service reserve of approximately \$4,017,050 (maximum annual debt service on the Bonds) has been included in the size of the bond issue along with a capitalized interest fund of \$4,900,050. The Bonds will be structured with a 30-year final maturity and level annual debt-service payments.

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

Security Structure:

Housing System revenues derived primarily from housing fees, rental revenues, fines, special rental fees or other charges for housing services, after deducting operating expenses, will be pledged for the payment of debt service.

When the facilities open in Fiscal Year 2012-13, the projected double occupancy rental rates for the residence halls are \$3,000 for the fall

and spring and \$2,250 for the summer. Projected occupancy rates are 98.5% for fall and spring and 50% for summer. Projected rental rates for the Greek expansion are \$2,800 for the fall and spring and \$2,100 for the summer, with projected occupancy rates of 97% and 50%, respectively. For the Greek Park portion of the Project, the fraternal organization will make lease payments to the University for common areas and facilities. Additionally, it is anticipated that the Greek Life Center will transfer their operations from the Student Union to the new administrative center of the Greek Park expansion and pay rental fees.

The Bonds will be issued on parity with the outstanding University of Central Florida Housing and Dormitory Revenue Bonds Series 1992, 2000, 2002 and 2007A, which are outstanding in the aggregate principal amount of \$73,120,000.

**Pledged Revenues and
Debt Service Coverage:**

During the five fiscal years from 2005-06 to 2009-10, pledged revenues grew from \$9,158,548 to \$10,232,159, increasing the debt service coverage ratio from 1.37x to 1.57x.

Pledged revenues are projected to dip slightly in 2010-11 to \$9,972,456 due to withdrawal by the University of its affiliation with an off-campus housing complex but then continue growing to \$16,182,072 in fiscal year 2014-15. Debt service coverage ratios are projected to range from 1.50x to 1.88x over this same period. The projected debt service coverage ratio in fiscal year 2013-14 (the first year of both principal and interest payments on the Bonds) is 1.50x, based on an estimated debt service payment of \$10,508,621 for the Housing System inclusive of the Bonds.

Assumptions include annual rental revenue and expense increases of 3% and an estimated interest rate of 6% on the bonds.

(See Attachment 2 for a table of historical and projected pledged revenues and debt service coverage prepared based upon revenue and expense information supplied by the University).

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. 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.