

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
Project Summary
University of North Florida
Student Housing Project**

Project Description:

The Project will consist of a new money construction component (the "New Money Project") and a refunding component (the "Refunding Project"). The New Money Project consists of the construction, installation and equipping of an approximately 366,000 square foot facility, containing approximately 1,000 beds. The New Money Project is being located on an unimproved portion of the campus that has no access or utility service. The New Money Project includes construction of road and parking improvements, extension of water and wastewater lines and construction of raised boardwalks across wetland areas to provide access to the core area of campus. The New Money Project is reflected on the approved master plan for the University and is consistent with the mission of the University because it will provide necessary student housing. Construction of the New Money Project is expected to begin in June of 2007 and to be completed by July of 2009. Proceeds of the Debt are anticipated to be sufficient to complete the construction of the New Money Project which is estimated to be approximately \$86,000,000, of which \$12,000,000 will be paid from funds currently on deposit in the housing and parking auxiliary funds and approximately \$4,000,000 will be paid from investment earnings on the construction funds prior to expenditure on the project. Legislative approval of the Project has been obtained pursuant to Section 1010.62, Florida Statutes and has been obtained pursuant to the General Appropriations Act.

A part of the DSO's plan of finance is to refund certain outstanding obligations of the University of North Florida Foundation, Incorporated (the "Foundation") which includes the Foundation's Capital Improvement Revenue Bonds, Series 1994, Capital Improvement Revenue Bonds, Series 1997 and its Capital Improvement Revenue Bonds, Series 2000 outstanding in an aggregate principal amount

of \$34,200,000 and are referred to collectively as the "Prior Bonds." The proceeds of the Prior Bonds were used to finance or refinance the existing housing system facilities which currently consists of 2,000 beds, all located on the University campus. The purpose of refunding the Prior Bonds is to create one consolidated housing system in the DSO. The bonds are currently issued by the University of North Florida Foundation. These bonds will be refunded and issued in the University of North Florida Financing Corporation. This will allow for all financing to be reported by the Financing Corporation. Currently, the bonds are 100% variable. This issuance would fix the debt outstanding. The maturity dates of the Prior Bonds is not being extended as part of the plan of refinance. No proceeds of the Debt will be used to finance operating expenses of the University or the DSO.

**Project Cost and
Financing Structure:**

The proposed Project will be financed with a tax exempt issuance not to exceed \$125,000,000 Capital Improvement Revenue Bonds, Series 2007A (the "Series 2007A Bonds"). Financing for the project will be fixed rate. The DSO will issue a Series of Series 2007A Bonds pursuant to a Trust Indenture by and among the DSO and a corporate trustee (the "Trustee") to be selected by the DSO. The Series 2007A Bonds will be structured with a 30 year final maturity with the first principal payment from pledge revenues being November 1, 2007, however the first principal to be paid with respect to the New Money Project will be November 1, 2010. A portion of the Interest Payments on the Series 2007A Bonds related to the New Money Project in 2007, 2008 and 2009 will be made via capitalized interest which was secured to cover debt during the 25-month construction period and in the event the project is not delivered on time and a year of pledged revenue is lost as a result.

Cost of construction and associated soft costs of the New Money Project will be approximately \$86,000,000 which is comprised of approximately \$70,269,953 of bond proceeds, \$12,000,000 of funds currently on deposit in the housing and the parking auxiliary funds, and \$4,000,000 of

investment earnings on the construction funds prior to expenditure on the New Money Project. Capitalized interest with respect to the New Money project through November 2009 will be approximately \$8.6 million. A debt service reserve fund will be established and funded with a debt service reserve fund surety policy.

Type of Sale:

The Series 2007A Bonds will be sold pursuant to a negotiated sale with an underwriting firm that is a member of a team of underwriters that were selected in a competitive process in 2006.

Facility Site Location:

The proposed New Money Project will be located on a 27 acre site located on an unimproved portion of the University's campus. The New Money Project includes approximately \$9,000,000 of costs related to simply making the site accessible to improvement and development which includes roadway and parking facilities and boardwalks across wetland areas and includes the cost of extending the water and wastewater lines to the site. The existing student housing facilities financed with the Prior Bonds are also located on the campus.

Demand Analysis:

The existing University housing system has a design capacity of 2,000 beds with a current occupancy of 2,425 students. Currently, 1,245 students are housed in triple bed units of which the University believes 425 will seek double occupancy units when the New Money Project is complete. The target market for the New Money Project is the students in the upper classes due to the suite style housing configuration. It is estimated that approximately 900 upper class students will move from existing housing to the New Money Project. This will free up existing housing for freshman and will also eliminate the triple occupancy which currently exists. For the last three fiscal years housing contracts have increased on average 9% each year which has been accommodated by tripling occupancy in some rooms. The increase in demand for housing is anticipated to remain the same or increase in future years. It is also believed that there is a number of

students in the upper classes that do not request on-campus housing due to the current triple occupancy situation. The University maintains a waiting list for student housing which contains approximately 200 students desiring housing on campus.

Security/Lien Structure:

The fixed rate Series 2007 Bonds will be secured by a lien on Pledged Revenues as defined in the Trust Indenture to include lease payments to be made by the University, as lessee, pursuant to an operating lease with the DSO, as lessor. The lease payments to be made by the University are secured by a pledge of and lien on net revenues from the housing system.

Pledge Revenues and Debt Service Coverage:

For Fiscal Year, 2005-06, the Corporation's Pledged Revenues equaled \$4,249,357 which produced a debt service coverage ratio of 1.98x on the Prior Bonds. For Fiscal Year 2009-10, the first year of operation of the New Money Project is expected to generate Pledged Revenues of \$6,939,439 which would produce a debt service coverage ratio of 1.55x, however in Fiscal Year 2010-11 Pledged Revenues only produce a debt service coverage ratio of 1.16x and increase to 1.20x the next fiscal year. To obtain the 1.20x debt service will ascend from 2010-2011 through 2015-2016. Debt service payments level off in Fiscal Year 2016-17. Pledged Revenues are projected to grow approximately 4% per year over a 10-year period. The University believes this deviation from the policies is justified due to the unique nature of the project site which increased the costs of construction by approximately \$9,000,000. If the University could have located the New Money Project in the middle of its campus these additional costs would not have been incurred which would have reduced the principal amount of the Bonds that were issued.

The debt service coverages have been calculated using an assumed current market conditions. The projected housing system revenues are based in part on approximately a 4% increased in housing system revenues

via increased housing rental rates and a 3% increase in operating expenses (see attached 10-year financial plan depicting pledged revenues, transfers to reserves, expenses, and debt service coverage).

**Project Start and
Opening Date:**

It is anticipated that construction of the New Money Project will commence June 2007 and will be available for occupancy in late July 2009.

**Analysis and
Recommendation:**

The staffs of the Board of Governors and Division of Bond Finance have reviewed the information provided by the Corporation with respect to the request for Board of Governors approval for the subject financing. In our judgment, the University has thoroughly presented the type of facility it requires in both meeting its institutional goals and its ability to meet the debt obligation. The University's financial plan is very conservative and provides consistent measured growth and ample protection in the event that revenue projections fall short. In addition, the University has an excellent history in the area of debt management and successfully engineering projects involving revenue generation and strong debt service coverage. Therefore, staffs of the Board of Governors and the Division of Bond Finance recommend that the Board of Governors adopt the resolution approving the issuance of the bonds by the Corporation.