



Item: AF: I-4

AUDIT AND FINANCE COMMITTEE

Wednesday, October 21, 2009

SUBJECT: ISSUANCE OF DEBT TO FINANCE THE CONSTRUCTION OF CERTAIN STUDENT HOUSING FACILITIES ON THE BOCA RATON CAMPUS OF FLORIDA ATLANTIC UNIVERSITY.

PROPOSED COMMITTEE ACTION

Informational Only.

BACKGROUND INFORMATION

Florida Atlantic University does not have adequate housing on its Boca Raton campus to meet the demand for space by resident students. Currently, FAU enrolls approximately 20,535 students exclusively on the Boca Raton Campus. Projections call for an increase of over 1,000 students on the Boca Raton Campus within the next five years. The immediate need is to house approximately 1,200 of the total full-time, traditionally aged (18-21) undergraduate and graduate student population.

On July 22, 2009, concurrent with its approval of a Pre-Development Agreement with Crocker Partners, LLC, this Board unanimously approved a resolution approving the formation of a not-for-profit corporation to finance and operate University facilities. In accordance with this resolution, the articles of incorporation for the FAU Finance Corporation ("FAUFC") were filed with the State of Florida, and the bylaws for the FAUFC were drafted and will be submitted for approval to both the FAUFC and this Board prior to becoming effective. Additionally, on August 19, 2009, the Board of Trustees adopted a resolution certifying and establishing the FAUFC as a University Direct Support Organization ("DSO").

With the approval of this Board and the approval of the Florida Board of Governors ("BOG"), FAUFC intends to issue debt in an amount not to exceed \$140,000,000 (the "Debt") for the purpose of financing the construction of certain student housing facilities and related facilities (the "Project") on the Boca Raton campus of Florida Atlantic University. The Project is reflected on the approved master plan for the University and is consistent with the mission of the University because it will provide needed student housing facilities to address the shortage of housing described above. Construction of the Project is expected to begin in February of 2010 and to be completed by August of 2011. Proceeds of the Debt are anticipated to be sufficient to complete the construction of the Project without the use of additional funds. Legislative approval of the Project has been obtained pursuant to section 1010.62(7)(a), Florida Statutes. No proceeds of the Debt will be used to finance operating expenses of the University or the DSO.

The Debt is to be secured by a lien on the net revenues of the Project and a subordinate lien on net revenues from the existing student housing located on campus. The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt. The Debt will mature not more than 35 years after issuance, including any extensions or renewals thereof. The Project has an estimated useful life of 40 years, which is beyond the anticipated final maturity of the Debt. The Debt will bear interest at a fixed interest rate.

The Debt, which consists of Student Housing Revenue Bonds (the "Bonds") to be issued by the DSO, will be sold through a negotiated sale. A negotiated sale is necessary due to the complexity of the proposed financing, which includes the structuring of two series of subordinate bonds that shall be sold through private placements. Additionally, the University wishes to have additional flexibility in the structuring of cost effective financing alternatives, which may include the issuance of taxable Build America Bonds. The underwriter was selected as part of a competition process in summer 2008. A portion of the Bonds may be issued as Build America Bonds thus bearing a taxable interest rate. The issuance of the Build America Bonds on a taxable basis is in the best interest of the University because the DSO will receive a 35% subsidy from the United States Treasury offsetting the interest cost of the Bonds.

IMPLEMENTATION PLAN/DATE

A request to recommend authorization of the issuance of the Debt by FAUFC and to request BOG approval of the issuance of the Debt shall be brought back to this Committee later this year, along with other operative documents for the Project, including a proposed development agreement for the new housing facilities and a management agreement for all existing University housing facilities on the Boca Raton Campus.

FISCAL IMPLICATIONS

Issuance of the Debt by the FAUFC will not impose any direct financial requirements upon the University. The Debt is to be secured by a lien on the net revenues of the Project and a subordinate lien on net revenues from the existing student housing located on campus. Tax-exempt debt of approximately \$140,000,000 will be issued by the Florida Atlantic University Finance Corporation, with an annual debt service payment of approximately \$8,910,712.

Supporting Documentation: Proposed Resolution.

Presented by: David L. Kian, General Counsel

Phone: 561-297-3007

A RESOLUTION AUTHORIZING THE ISSUANCE OF DEBT AND REQUESTING THE FLORIDA BOARD OF GOVERNORS TO APPROVE THE ISSUANCE OF SUCH DEBT TO FINANCE THE CONSTRUCTION OF CERTAIN STUDENT HOUSING FACILITIES ON THE CAMPUS OF FLORIDA ATLANTIC UNIVERSITY, PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF FLORIDA ATLANTIC UNIVERSITY:

Section 1. The Board of Trustees of Florida Atlantic University (the "Board of Trustees") as the governing body of Florida Atlantic University (the "University") hereby authorizes the issuance of debt by The FAU Finance Corporation (the "DSO") and requests the Florida Board of Governors (the "Board of Governors") to approve the issuance of debt in an amount not to exceed \$140,000,000 (the "Debt") for the purpose of financing the construction of certain student housing and related facilities (the "Project") to be located on the Boca Raton campus of the University.

Section 2. The Project will consist of the construction of a 1,218-bed student housing facility comprised of two buildings located on the campus of Florida Atlantic University (the "University") in Boca Raton, Florida. The seven-story Building I will contain 148 apartments in a four bedroom/two bath configuration along with 7 one bedroom/one bath RA units and 2 three bedroom/two bath manager apartments. The eight-story Building II will contain 90 apartments in a four bedroom/two bath configuration and 120 apartments in a two bedroom/two bath configuration. In addition, Building II will house 7 one bedroom/one bath RA units and 2 three bedroom/two bath manager apartments. Both buildings have an approximate square footage of 504,000 square feet including the common area. The Project is reflected on the approved master plan for the University and is consistent with the mission of the University because it will provide needed student housing facilities. Construction of the Project is expected to begin in February of 2010 and to be completed by August of 2011. Proceeds of the Debt are anticipated to be sufficient to complete the construction of the Project without the use of additional funds. Legislative approval of the Project has been obtained pursuant to section 1010.62 (7)(a), Florida Statutes. No proceeds of the Debt will be used to finance operating expenses of the University or the DSO.

Section 3. The Debt is to be secured by a lien on the net revenues of the Project and a subordinate lien on net revenues from the existing student housing located on campus. The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt.

Section 4. The Debt will mature not more than 35 years after issuance, including any extensions or renewals thereof. The Project has an estimated useful life of 40 years, which is beyond the anticipated final maturity of the Debt. The Debt will bear interest at a fixed interest rate.

Section 5. The Debt which consists of Student Housing Revenue Bonds (the "Bonds") to be issued by the DSO will be sold through negotiated sale. A negotiated sale is necessary due to the complexity of the proposed financing, which includes the structuring of two series of subordinate bonds that shall be sold through private placements. Additionally, the University wishes to have additional flexibility in the structuring of cost effective financing alternatives, which may include the issuance of taxable Build America Bonds. The underwriter was selected as part of a competition process in summer 2008. An analysis showing that a negotiated sale is desirable is attached in Appendix A.

Section 6. A portion of the Bonds may be issued as Build America Bonds thus bearing a taxable interest rate. The issuance of the Build America Bonds on a taxable basis is in the best interest of the University because the DSO will receive a 35% subsidy from the United States Treasury offsetting the interest cost of the Bonds.

Section 7. The Board of Trustees will comply, and will require the University and the DSO to comply, with all requirements of federal and state law relating to the Debt, including, but not limited to, laws relating to maintaining the exemption from taxation of interest payments on the Bonds issued as tax exempt obligations, laws relating to maintaining the qualification for the Build America Bond subsidy payments and continuing secondary market disclosure of information regarding the Bonds

Section 8. The President and Senior Vice President for Finance & Administration of the University and the Chair of the DSO and other authorized representatives of the University, and the Board of Trustees, and the DSO are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other actions as they may deem necessary or desirable, in connection with the execution, sale and delivery of the Debt.

Section 9. In making the determination to finance the Project, the Board of Trustees has reviewed the information attached to Appendix A and finds that the issuance of the Debt is in compliance with the Debt Management Guidelines, the university's debt management policy, and applicable law.

Section 10. This Resolution shall take effect immediately upon its adoption.

Adopted this _____ day of _____, 2009.

Appendix A

The following documents have been reviewed by the Board of Trustees prior to the execution of this Resolution:

- a. the project program, feasibility study, or consultant report;
- b. a draw schedule for the project;
- c. sources and uses of funds for the project;
- d. an estimated debt service schedule;
- f. a description of the security supporting repayment and the lien position the debt will have on that security;
- g. a five year history, if available, and a five year projection, of the pledged revenues and the debt service coverage; and
- h. any negotiated sale analysis.