Florida Atlantic University
Housing and Residential Life

“Innovation Village Housing Development”
Presented by David Kian, Sr. Vice President and General Counsel
December 16, 2009

INNOVATION VILLAGE HOUSING DEVELOPMENT
PROJECT OVERVIEW
The Innovation Village Housing project will be a student residence facility comprised of two buildings containing approximately 1,218 beds in apartment style residences with common areas.

**Building I**
- Seven-story 504,000 square feet building comprised of:
  - 148 apartments in a four bedroom/two bath configuration
  - 7 one bedroom/one bath RA units
  - 2 three bedroom/two bath manager apartments.

**Building II**
- Eight-story 504,000 square foot building comprised of:
  - 90 apartments in a four bedroom/two bath configuration
  - 120 apartments in a two bedroom/two bath configuration
  - 7 one bedroom/one bath RA units
  - 2 three bedroom/two bath manager apartments

This housing project is the first phase of a multi-phase project known as Innovation Village, to be located on the Boca Raton campus.

The project will expand the University’s current housing system from 6 buildings and 2,446 beds to a total of 8 buildings with 3,664 beds.

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 necessary student housing facilities.

Construction is expected to begin in February 2010 and to be completed by August of 2011.
Operational Structure

- Developer to assume all risks of construction and timely completion
- Developer to assume operation of all existing FAU Boca Raton Campus housing inventory in addition to Innovation Village Housing
- Developer to manage capital repair and replacement program through project team
- Shared governance with FAU Department of Housing and Residential Life

Ground Lease

- Ground Lease
  - Project site will be subleased by the University to the FAU Finance Corporation.
- The FAU Finance Corporation:
  - FAU DSO
- Authorized the issuance of debt in an amount not to exceed $140,000,000 for the purpose of financing the construction of certain student housing and related facilities.
Development Agreement

- Development services include supervising the development and construction of the Project.
- Developer is responsible for supervising the development and construction process in accordance with the Construction Contract and the Architects Contract.
- Includes responsibility for all personnel and services to provide, manage, coordinate and oversee the planning, design, and construction phases of the Project; to recommend, order and install furniture, furnishings and equipment; to provide advice, assistance and financial modeling in support of the structure of financing the Project; and to assure a smooth and seamless transition into the operational phase of the Project.
- If the Student Housing Facilities are not substantially completed on or before the Guaranteed Date, subject to any extension permitted under the Agreement, the Developer, at its own cost and expense, shall provide alternative housing of a quality similar to the Student Housing Facilities, transportation to and from campus, and storage facilities for the student’s possessions.

The Development team:
- Crocker Partners, LLC
- PGAL – Architect
- Balfour Beatty Construction – General Contractor
- Miller Legg – Civil Engineer
- JLRD – Mechanical/electric/plumbing engineer
- RBC Capital Markets – Underwriter
- Capstone On-Campus Management – Property manager
Development Agreement (cont’d)

- Development Budget: a development budget has been negotiated for design, development and construction (including furniture, fixtures and equipment).
  - Includes an Owner’s Contingency for the purpose of funding increases in the development budget as a result of change orders requested by the University.
  - Development Account – one operating account will be opened for the purpose of managing the project. No commingling of any funds other than the Project Development funds will be permitted. Upon final completion, any amounts remaining in the Construction Fund (the Indenture), except for Owner’s Contingency, including interest earned, shall be distributed to the Developer.
  - Draw Requests and Draws – All draw requests for payments must be approved by inspector for the DSO.
  - Developer Records – Developer must make and keep records and accounts that are sufficient for financial statements in accordance with generally accepted accounting principles. The Developer’s books and records pertaining to the project shall always be accessible and available locally for inspection by the DSO.

Project site safety and access: The Developer has full responsibility for the project site safety during the course of project development and construction.

- University, DSO and Bond Trustee shall have access to the project site
- Commercially reasonable efforts to perform construction only during University business hours and within the parameters of local municipal ordinance pertaining to sound pollution.
- In the event it may be necessary to perform work outside of the scope of University business hours, the Developer shall provide 72-hour notice.
- The Developer’s mobilization plan cannot unreasonably impede use, access or access points for neighboring facilities of the Project site, specifically including those neighboring facilities of the University, Palm Beach Community College, and the Florida Atlantic University Research and Development Authority.
Financing Structure

- Financed with the issuance not to exceed
  - $126,685,000 Capital Improvement Revenue Bonds, Senior Series 2010A
  - $3,365,000 Capital Improvement Revenue Bonds, Junior Series 2010B
  - The Series 2010B Bonds will be subordinate to the Series 2010A Bonds
  - Fixed rate – 4.96%
  - A portion of the bonds may be issued as tax exempt Bonds and a portion as taxable Build America Bonds
  - 30 fiscal year final maturity
  - Portion of Interest Payments on the Bonds related to the project in 2010 and 2011 will be made via capitalized interest which was secured to cover debt during the 18-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

- DSO will issue the Bonds pursuant to a Trust Indenture by and among the DSO and a corporate trustee to be selected by the DSO.

- Subordinate Bonds (Private Placement) – Developer Investment

Financing Structure (cont’d)

- Cost of construction and associated soft costs of the Project will be approximately $111,229,005 which will be financed with proceeds from the debt.
  - Breakdown of projected total project costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Construction</td>
<td>$65,491,417</td>
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<tr>
<td>F/F</td>
<td>$3,122,442</td>
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<tr>
<td>Other Project Costs</td>
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<tr>
<td>A/E</td>
<td>$4,297,000</td>
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<td>Developer Fees</td>
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<td>closing fees</td>
<td>$2,357,500</td>
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<tr>
<td>installment payments</td>
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<td>pmt due 12/1/10</td>
<td>$1,162,500</td>
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<tr>
<td>final completion</td>
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<tr>
<td>Owner’s Contingency</td>
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<tr>
<td>Developer’s Contingency</td>
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<td>Owner’s Reimbursables</td>
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<td>Additional Proceeds</td>
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<td>Ground Lease</td>
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<tr>
<td>Total</td>
<td>$111,229,005</td>
</tr>
</tbody>
</table>

DSO will issue the Bonds pursuant to a Trust Indenture by and among the DSO and a corporate trustee to be selected by the DSO.

Subordinate Bonds (Private Placement) – Developer Investment
Financing Structure (cont’d)

- A debt service reserve fund will be established and funded.
- The fixed rate bonds will be secured by a lien on the pledged revenues defined in the trust indenture to include:
  - The net operating revenues of the project and surplus revenues of the existing housing units, subject to the payment of amounts due the State under the State Bond Resolution
  - The DSO’s interest in the Ground Lease from the University related to the project site and the existing Housing units land
- Debt Service Coverage:
  - For the first year of operation of the project (FY 2011-2012), total revenues are expected to equal $13,584,581 which would produce a debt service coverage ratio of 3.86 and not falling below 1.30 thereafter for 30 years.
  - Revenues and expenses are projected to grow approximately 3% per year over a 10-year period.

Management Agreement

- A Committee will provide consultation and advice to the Managers (University and Management Company). Committee will be established by the DSO and comprised of one representative of Management Company, The University’s Senior Vice President of Student Affairs or designee, the University’s Senior Vice President of Financial Affairs or designee, the University’s Vice President of Facilities or designee and the University’s President or designee.
- Shared management with the University and Management Company
  - 2% management fee annually
  - In a prudent and efficient manner consistent with the community standards of the University, as opposed to housing operated by for profit entities which do not have comparable educational missions
  - In accordance with customary management practices for well maintained public university student housing properties of comparable size and age
  - With dedication to achieving the highest quality and economic integrity possible that supports the best interests of the Property and the University and its students
Management Agreement (cont’d)

- **Leasing**
  - The University will be responsible for all leasing functions of the Property.
  - The University shall have exclusive authority to establish, change or revise any rents, fees, deposits, or other charges with respect to the Property, with the advice and consultation of the Advisory Committee.
  - Facilities shall be marketed exclusively to upper division undergraduate and graduate students.

- **Marketing**
  - The University with the input of Management Company shall develop and implement a marketing and leasing plan that is approved by the Advisory Committee annually.

- **Programming and Residential Life**
  - The University shall be responsible for residence life management including, but not limited to, residential life, and student and guest conduct.

Management Agreement (cont’d)

- **Repairs and Maintenance**
  - The Management Company shall supervise, manage and pay for all maintenance, repairs, alterations, improvements and upkeep other than capital improvements included in the Capital Improvement Plan of the Property from amounts on deposit in the Operating Account.
  - Management Company will reflect in the budget, amounts to be reserved by the Trustee in the Renewal and Replacement Fund.
  - Management Company will record expenses as incurred in accordance with Generally Accepted Accounting Principles and monies will be spent in accordance with the allowability and allocability of the Florida Statutes.
Management Agreement (cont’d)

- Capital Improvements
  - Management Company will prepare and submit to the Finance Corporation and to the University an Annual Capital Plan and a five (5) year renewal and replacement schedule.
  - Plan will be updated annually and Management Company shall obtain approval from Finance Corporation and the University.
  - Management Company will provide University and Finance Corporation advance written notification of any proposed work to be done in accordance with the Annual Capital Plan. All work is to be coordinated with the University to minimize disruption to the University, students and affected neighbors.
  - Amounts required to fund the Capital Improvement Plan shall be disbursed by the Finance Corporation from amounts requisitioned from the Renewal and Replacement Fund held by the Trustee.

Management Agreement (cont’d)

- Employees and staffing requirements
  - Management Company will employ the necessary staff at the property to ensure their responsibilities are successfully implemented. Responsibilities are outlined on responsibility matrix which include, but are not limited to:
    - Operations
    - Business administration
    - Housekeeping
    - Maintenance
  - The University will employ the necessary staff at the property to ensure their responsibilities are successfully implemented. Responsibilities are outlined on responsibility matrix which include, but are not limited to:
    - Resident life services and staffing
    - Housing fee collections
    - Marketing
    - Housing contract contracting services
    - Front desk operations
    - Mail services and delivery within the property
Management Agreement (cont’d)

Employees and staffing requirements (cont’d)

- All onsite resident life personnel will be provided fee free residential accommodations. The numbers of resident life personnel are determined and mutually agreed upon in the approved Annual Operating Budget.
- The staff employed by the University shall be employees of the University. All matters pertaining to the employment, supervision, promoting and discharge of employees are the responsibility of the University. The cost associated with salaries and wages, payroll taxes, insurance, worker’s compensation, and other benefits shall be treated as operating expenses and identified in the Annual Operating Budget for the property.

Limitations of Management Company – the Management Company shall not have the authority to do any of the following without the prior written consent of the Finance Corporation:

- Enter into any contract which is not cancelable on thirty days notice
- Expend or commit any funds other than as approved by the Finance Corporation pursuant to the Budget
- Execute any deed, note, mortgage or security agreement binding on the Finance Corporation or the University
- Commit or allow any act or omission which results in the imposition of any lien or encumbrance on the Property or any portion thereof
- Sell, transfer or otherwise dispose of any portion of the property
- Commit or permit waste of the Property or any portion thereof
- Lease or grant any concessions for any commercial operation of the Property or any portion thereof, except with Finance Corporation’s written approval
- Perform any University’s duties without prior written consent
QUESTIONS & ANSWERS