



Item: v: b

Wednesday, January 20, 2010

SUBJECT: Innovation Village Housing Project: Financing Plan

PROPOSED BOARD ACTION

Approve the financing plan for the Innovation Village Housing Project.

BACKGROUND INFORMATION

On December 16, 2009, this Board adopted a resolution: (i) approving the development of the Innovation Village Project (the "Project"); (ii) authorizing the construction and installation of Phase I of the Project, which is the Innovation Village Housing Project (the "Housing Project"); (iii) authorizing the Board of Directors of The FAU Finance Corporation ("FAUFC"), an FAU direct support organization, to adopt a financing plan in compliance with the Florida Board of Governors ("BOG") Debt Management Guidelines to finance the Housing Project with the proceeds of certain Capital Improvement Revenue Bonds in an amount not to exceed \$140,000,000 (the "Debt"); (iv) authorizing the President or his designee to execute the Management Agreement, the Ground Sublease Agreement and the Development Agreement in substantially the forms presented; (v) authorizing University staff to assist in the preparation of an offering document for the issuance of the Debt and authorizing the President to deem such document final in accordance with SEC Rules; and (vi) authorizing and directing the President, or his designee, to do all acts and things necessary, required, desirable or consistent with the requirements and limitations of the resolution, all operative documents, and the BOG Debt Management Guidelines.

The authorization of the issuance of the Debt was contingent on the presentation to this Board for final approval of a financing plan for the Housing Project adopted by the FAUFC Board of Directors. On January 14, 2010, the FAUFC Board of Directors approved a financing plan for the Housing Project, which is now being presented to this Board for final approval.

IMPLEMENTATION PLAN/DATE

The Debt issuance is scheduled to be presented to the BOG for approval on January 28, 2010. If the BOG approves the issuance of the Debt, the closing on the Bonds is contemplated to occur approximately three weeks thereafter (mid-February 2010). The Development Agreement will become effective upon the closing of the Bonds, and construction under the Development Agreement will commence immediately upon receipt of Bond funds. Preliminary site work and mobilization is already underway. The management agreement is expected to become effective on or about July 1, 2011.

FISCAL IMPLICATIONS

Issuance of the Debt by the FAUFC will cover all Phase I development costs and will not impose any direct financial requirements upon the University. The Debt is to be secured by a lien on the net revenues of Phase I and a subordinate lien on surplus revenues from the existing student housing facilities on the Boca Raton campus. Tax-exempt debt not to exceed \$140,000,000 will be issued by FAUFC, with an annual debt service payment of approximately \$8,300,000. FAU shall receive twelve million dollars from FAUFC in prepaid rent upon commencement of the Ground Sublease. All management fees shall be paid from housing revenues.

Supporting Documentation: Innovation Village Housing Project Financing Plan
Board of Governors Staff Project Summary
Board of Governors proposed authorizing resolution

Presented by: David L. Kian, General Counsel Phone: 561-297-3007

Cash Flow Analysis
Florida Atlantic University
Innovation Village Project

Fiscal Year Ending June 30,	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
EXISTING HOUSING UNITS¹															
Housing Fees, Interest Income & Other Operating Revenue	15,753,593	16,226,201	16,706,821	17,208,026	17,724,266	18,255,994	18,803,674	19,367,785	19,948,818	20,547,283	21,163,701	21,798,612	22,452,571	23,126,148	23,819,932
LESS: Annual Debt Service (Existing Units) ²	5,761,935	5,766,685	5,765,723	5,761,904	5,765,904	5,773,266	5,772,516	5,768,798	5,776,873	5,773,260	4,611,460	4,608,298	4,612,498	4,615,913	4,612,313
Annual Operating Expenses	6,926,398	7,134,189	7,348,215	7,568,662	7,795,721	8,029,593	8,270,481	8,518,595	8,774,153	9,037,378	9,308,499	9,587,754	9,875,387	10,171,648	10,476,798
Existing Units Net Revenue	3,065,261	3,325,327	3,592,883	3,877,460	4,162,641	4,453,135	4,760,677	5,080,392	5,397,792	5,736,645	7,243,742	7,602,561	7,964,686	8,338,587	8,730,822
Debt Service Coverage Ratio	1.53	1.58	1.62	1.67	1.72	1.77	1.82	1.88	1.93	1.99	2.57	2.65	2.73	2.81	2.89
NEW HOUSING at INNOVATION VILLAGE															
Existing Units Net Revenue	\$3,065,261	\$3,325,327	\$3,592,883	\$3,877,460	\$4,162,641	\$4,453,135	\$4,760,677	\$5,080,392	\$5,397,792	\$5,736,645	\$7,243,742	\$7,602,561	\$7,964,686	\$8,338,587	\$8,730,822
Rental Revenue	\$10,936,100	\$11,264,183	\$11,602,108	\$11,950,172	\$12,308,677	\$12,677,937	\$13,058,275	\$13,450,024	\$13,853,524	\$14,269,130	\$14,697,204	\$15,138,120	\$15,592,264	\$16,060,032	\$16,541,832
LESS: Student Vacancies	546,805	563,209	580,105	597,509	615,434	633,897	652,914	672,501	692,676	713,457	734,860	756,906	779,613	803,002	827,092
Summer Revenue	2,187,220	2,252,837	2,320,422	2,390,034	2,461,735	2,535,587	2,611,655	2,690,005	2,770,705	2,853,826	2,939,441	3,027,624	3,118,453	3,212,006	3,308,366
LESS: Summer Vacancies	2,187,220	1,914,911	1,972,358	2,031,529	2,092,475	2,155,249	2,219,907	2,286,504	2,355,099	2,425,752	2,498,525	2,573,480	2,650,685	2,730,205	2,812,112
Net Rental Revenues	10,389,295	11,038,899	11,370,066	11,711,168	12,062,503	12,424,378	12,797,110	13,181,023	13,576,454	13,983,747	14,403,260	14,835,358	15,280,418	15,738,831	16,210,996
Other Revenues	130,025	133,926	137,944	142,082	146,344	150,735	155,257	159,914	164,712	169,653	174,743	179,985	185,385	190,946	196,674
Investment Earnings on DSRF ³	0	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095
New Housing Net Revenue	10,519,320	11,332,920	11,668,105	12,013,345	12,368,943	12,735,208	13,112,461	13,501,032	13,901,261	14,313,496	14,738,098	15,175,438	15,625,898	16,089,872	16,567,765
Total Net Revenues	\$13,584,581	\$14,658,247	\$15,260,988	\$15,890,806	\$16,531,584	\$17,188,343	\$17,873,139	\$18,581,422	\$19,299,053	\$20,050,140	\$21,981,840	\$22,777,998	\$23,590,584	\$24,428,459	\$25,298,587
Rental	\$31,000	\$31,930	\$32,888	\$33,875	\$34,891	\$35,937	\$37,016	\$38,126	\$39,270	\$40,448	\$41,661	\$42,911	\$44,199	\$45,525	\$46,890
Payroll	689,895	717,491	746,190	776,038	807,080	839,363	872,937	907,855	944,169	981,936	1,021,213	1,062,062	1,104,544	1,148,726	1,194,675
Operating Administrative	115,950	119,428	123,011	126,701	130,502	134,417	138,450	142,603	146,881	151,288	155,826	160,501	165,316	170,276	175,384
Management Fee	525,000	546,000	567,840	590,554	614,176	638,743	664,292	690,864	718,499	747,239	777,128	808,213	840,542	874,164	909,130
Common Area	61,000	62,830	64,715	66,656	68,656	70,716	72,837	75,022	77,273	79,591	81,979	84,438	86,971	89,581	92,268
Ground	24,000	24,720	25,462	26,225	27,012	27,823	28,657	29,517	30,402	31,315	32,254	33,222	34,218	35,245	36,302
Utilities	1,270,940	1,309,068	1,348,340	1,388,790	1,430,454	1,473,368	1,517,569	1,563,096	1,609,989	1,658,288	1,708,037	1,759,278	1,812,057	1,866,418	1,922,411
Interior Unit Expenses	151,798	156,352	161,042	165,874	170,850	175,975	181,255	186,692	192,293	198,062	204,004	210,124	216,428	222,920	229,608
Maintenance	21,600	62,212	64,078	66,001	67,981	70,020	72,121	74,284	76,513	78,808	81,173	83,608	86,116	88,699	91,360
Taxes & Insurance	368,977	380,046	391,448	403,191	415,287	427,745	440,578	453,795	467,409	481,431	495,874	510,750	526,073	541,855	558,111
Replacement Reserve	243,200	250,496	258,011	265,751	273,724	281,935	290,394	299,105	308,078	317,321	326,840	336,646	346,745	357,147	367,862
Non-Cash Items	4,500	4,635	4,774	4,917	5,065	5,217	5,373	5,534	5,700	5,871	6,048	6,229	6,416	6,608	6,807
Bond Trustee & Rating Agency Fees	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Operating Expenses	\$3,527,860	\$3,685,208	\$3,807,799	\$3,934,574	\$4,065,677	\$4,201,260	\$4,341,479	\$4,486,495	\$4,636,477	\$4,791,598	\$4,952,038	\$5,117,982	\$5,289,625	\$5,467,164	\$5,650,808
Net Operating Income	\$10,056,721	\$10,973,038	\$11,453,189	\$11,956,232	\$12,465,907	\$12,987,084	\$13,531,660	\$14,094,929	\$14,662,576	\$15,258,542	\$17,029,802	\$17,660,016	\$18,300,960	\$18,961,295	\$19,647,779
Annual Debt Service (Senior A Bonds) ⁴	2,413,516	8,002,438	8,002,188	8,004,238	8,003,350	8,001,950	8,001,750	8,001,500	8,004,750	8,001,000	8,000,250	8,002,000	8,000,750	8,001,250	8,003,000
Debt Service Coverage	4.17	1.37	1.43	1.49	1.56	1.62	1.69	1.76	1.83	1.91	2.13	2.21	2.29	2.37	2.46
Breakeven Occupancy (New Beds w Existing Net Revenue)	20.93%	59.69%	56.88%	54.11%	51.45%	48.90%	46.38%	43.91%	41.62%	39.28%	30.47%	28.50%	26.62%	24.80%	23.00%
Breakeven Occupancy (New Bed Revenue Only)	44.28%	84.29%	82.69%	81.15%	79.64%	78.17%	76.76%	75.39%	74.09%	72.78%	71.54%	70.35%	69.18%	68.06%	66.99%
Net Cash Flow (Before Junior B Bonds)	\$7,643,205	\$2,970,601	\$3,451,001	\$3,951,994	\$4,462,557	\$4,985,134	\$5,529,910	\$6,093,429	\$6,657,826	\$7,257,542	\$9,029,552	\$9,658,016	\$10,300,210	\$10,960,045	\$11,644,779
Annual Debt Service (Junior B Bonds)	579,638	301,655	302,623	303,225	303,461	303,330	302,832	301,968	300,738	299,141	302,177	299,481	301,418	302,622	303,093
Debt Service Coverage	3.36	1.32	1.38	1.44	1.50	1.56	1.63	1.70	1.77	1.84	2.05	2.13	2.20	2.28	2.37
Net Cash Flow	\$7,063,567	\$2,668,946	\$3,148,378	\$3,648,769	\$4,159,097	\$4,681,804	\$5,227,078	\$5,791,461	\$6,357,088	\$6,958,402	\$8,727,375	\$9,358,535	\$9,998,792	\$10,657,423	\$11,341,687

¹ The financial information related to the revenues and expenses for the existing housing facilities was provided by the University.

² Includes Series 2003, Series 2006 and Series 2006A bonds.

³ Based on an interest rate of 2.00%.

⁴ Debt service is shown net of capitalized interest.

Cash Flow Analysis
Florida Atlantic University
Innovation Village Project

Fiscal Year Ending June 30,	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
EXISTING HOUSING UNITS														
Housing Fees, Interest Income & Other Operating Revenue	24,534,530	25,270,566	26,028,683	26,809,543	27,613,830	28,442,245	29,295,512	30,174,377	31,079,609	32,011,997	32,972,357	33,961,527	34,980,373	36,029,784
LESS: Annual Debt Service (Existing Units) ²	4,607,663	4,611,750	4,608,900	4,610,981	3,035,306	3,035,538	3,035,388	1,717,838	1,718,463	1,715,850	0	0	0	0
Annual Operating Expenses	10,791,102	11,114,835	11,448,280	11,791,728	12,145,480	12,509,844	12,885,140	13,271,694	13,669,845	14,079,940	14,502,338	14,937,408	15,385,531	15,847,097
Existing Units Net Revenue	9,135,766	9,543,981	9,971,503	10,406,834	12,433,043	12,896,863	13,374,985	15,184,846	15,691,301	16,216,207	18,470,019	19,024,119	19,594,843	20,182,688
Debt Service Coverage Ratio	2.98	3.07	3.16	3.26	5.10	5.25	5.41	9.84	10.13	10.45	N/A	N/A	N/A	N/A
NEW HOUSING at INNOVATION VILLAGE														
Existing Units Net Revenue	\$9,135,766	\$9,543,981	\$9,971,503	\$10,406,834	\$12,433,043	\$12,896,863	\$13,374,985	\$15,184,846	\$15,691,301	\$16,216,207	\$18,470,019	\$19,024,119	\$19,594,843	\$20,182,688
Rental Revenue	\$17,038,087	\$17,549,230	\$18,075,707	\$18,617,978	\$19,176,518	\$19,751,813	\$20,344,367	\$20,954,698	\$21,583,339	\$22,230,840	\$22,897,765	\$23,584,698	\$24,292,239	\$25,021,006
LESS: Student Vacancies	851,904	877,462	903,785	930,899	958,826	987,591	1,017,218	1,047,735	1,079,167	1,111,542	1,144,888	1,179,235	1,214,612	1,251,050
Summer Revenue	3,407,617	3,509,846	3,615,141	3,723,596	3,835,304	3,950,363	4,068,873	4,190,940	4,316,668	4,446,168	4,579,553	4,716,940	4,858,448	5,004,201
LESS: Summer Vacancies	2,896,475	2,983,369	3,072,870	3,165,056	3,260,008	3,357,808	3,458,542	3,562,299	3,669,168	3,779,243	3,892,620	4,009,399	4,129,681	4,253,571
Net Rental Revenues	16,697,326	17,198,245	17,714,193	18,245,619	18,792,987	19,356,777	19,937,480	20,535,605	21,151,673	21,786,223	22,439,810	23,113,004	23,806,394	24,520,586
Other Revenues	202,575	208,652	214,912	221,359	228,000	234,840	241,885	249,141	256,616	264,314	272,243	280,411	288,823	297,488
Investment Earnings on DSRF ³	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095	160,095
New Housing Net Revenue	17,059,995	17,566,992	18,089,199	18,627,072	19,181,082	19,751,711	20,339,460	20,944,841	21,568,383	22,210,632	22,872,148	23,553,510	24,255,312	24,982,919
Total Net Revenues	\$26,195,761	\$27,110,974	\$28,060,703	\$29,033,907	\$31,614,125	\$32,648,574	\$33,714,445	\$36,129,687	\$37,259,685	\$38,426,839	\$41,342,167	\$42,577,629	\$43,850,155	\$53,165,606
Rental	\$48,297	\$49,746	\$51,238	\$52,775	\$54,359	\$55,989	\$57,669	\$59,399	\$61,181	\$63,017	\$64,907	\$66,854	\$68,860	\$70,926
Payroll	1,242,462	1,292,160	1,343,847	1,397,601	1,453,505	1,511,645	1,572,111	1,634,995	1,700,395	1,768,411	1,839,147	1,912,713	1,989,222	2,068,790
Operating Administrative	180,646	186,065	191,647	197,396	203,318	209,418	215,700	222,171	228,836	235,701	242,773	250,056	257,557	265,284
Management Fee	945,495	983,315	1,022,648	1,063,554	1,106,096	1,150,340	1,196,353	1,244,207	1,293,976	1,345,735	1,399,564	1,455,547	1,513,769	1,574,319
Common Area	95,036	97,887	100,824	103,848	106,964	110,173	113,478	116,882	120,389	124,000	127,720	131,552	135,499	139,564
Ground	37,391	38,513	39,668	40,858	42,084	43,347	44,647	45,986	47,366	48,787	50,251	51,758	53,311	54,910
Utilities	1,980,083	2,039,486	2,100,670	2,163,690	2,228,601	2,295,459	2,364,323	2,435,252	2,508,310	2,583,559	2,661,066	2,740,898	2,823,125	2,907,819
Interior Unit Expenses	236,496	243,591	250,899	258,426	266,179	274,164	282,389	290,861	299,586	308,574	317,831	327,366	337,187	347,303
Maintenance	94,101	96,924	99,832	102,827	105,912	109,089	112,362	115,733	119,205	122,781	126,464	130,258	134,166	138,191
Taxes & Insurance	574,854	592,100	609,863	628,159	647,003	666,414	686,406	706,998	728,208	750,054	772,556	795,733	819,605	844,193
Replacement Reserve	378,898	390,265	401,973	414,032	426,453	439,246	452,424	465,996	479,976	494,376	509,207	524,483	540,217	556,424
Non-Cash Items	7,011	7,221	7,438	7,661	7,891	8,128	8,371	8,622	8,881	9,148	9,422	9,705	9,996	10,296
Bond Trustee & Rating Agency Fees	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Total Operating Expenses	\$5,840,770	\$6,037,273	\$6,240,546	\$6,450,827	\$6,668,364	\$6,893,411	\$7,126,233	\$7,367,104	\$7,616,310	\$7,874,143	\$8,140,908	\$8,416,923	\$8,702,513	\$8,998,018
Net Operating Income	\$20,354,991	\$21,073,701	\$21,820,157	\$22,583,079	\$24,945,762	\$25,755,163	\$26,588,212	\$28,762,582	\$29,643,375	\$30,552,696	\$33,201,258	\$34,160,706	\$35,147,642	\$44,167,588
Annual Debt Service (Senior A Bonds) ⁴	8,000,500	8,003,500	8,001,250	8,003,500	8,004,500	8,003,750	8,000,750	8,000,000	8,000,750	8,002,250	8,003,750	7,999,500	8,004,000	8,001,000
Debt Service Coverage	2.54	2.63	2.73	2.82	3.12	3.22	3.32	3.60	3.71	3.82	4.15	4.27	4.39	5.52
Breakeven Occupancy (New Beds w Existing Net Revenue)	21.24%	19.60%	17.96%	16.41%	8.05%	6.77%	5.53%	-0.90%	-1.90%	-2.86%	-10.04%	-10.77%	-11.45%	-38.79%
Breakeven Occupancy (New Bed Revenue Only)	65.92%	64.92%	63.93%	62.99%	62.08%	61.19%	60.32%	59.48%	58.69%	57.92%	57.18%	56.45%	55.77%	28.43%
Net Cash Flow (Before Junior B Bonds)	\$12,354,491	\$13,070,201	\$13,818,907	\$14,579,579	\$16,941,262	\$17,751,413	\$18,587,462	\$20,762,582	\$21,642,625	\$22,550,446	\$25,197,508	\$26,161,206	\$27,143,642	\$36,166,588
Annual Debt Service (Junior B Bonds)	302,831	301,836	300,108	302,647	304,086	299,426	299,033	302,541	299,582	300,524	0	0	0	0
Debt Service Coverage	2.45	2.54	2.63	2.72	3.00	3.10	3.20	3.46	3.57	3.68	4.15	4.27	4.39	5.52
Net Cash Flow	\$12,051,660	\$12,768,365	\$13,518,799	\$14,276,933	\$16,637,176	\$17,451,987	\$18,288,429	\$20,460,042	\$21,343,043	\$22,249,922	\$25,197,508	\$26,161,206	\$27,143,642	\$36,166,588

¹ The financial information related to the revenues and expenses for the existing ho

² Includes Series 2003, Series 2006 and Series 2006A bonds.

³ Based on an interest rate of 2.00%.

⁴ Debt service is shown net of capitalized interest.

Preliminary Unit Mix for Cash Flow Analysis
Florida Atlantic University
Innovation Village Project

Unit Type	# of Units	# of Beds	Square Footage		2011-12 Rents per Unit		2011-12 Rents per Bed			Total Rent
			Per Apt.	Total	Semester	Annual	Monthly	Semester	Annual	
<u>Building One</u>										
4 BR / 2 BA (Leasable Units)										
10-Month Lease	148	592	1,036	153,328	\$17,900	\$35,800	\$895	\$4,475	\$8,950	\$5,298,400
Summer Term									\$1,790	\$1,059,680
1 BR / 1 BA (RA Units)										
10-Month Lease	7	7	522	3,654	\$0	\$0	\$0	\$0	\$0	\$0
Summer Term									\$0	\$0
3 BR / 2 BA (Manager Units)										
10-Month Lease	2	6	1,154	2,308	\$0	\$0	\$0	\$0	\$0	\$0
Summer Term									\$0	\$0
<u>Building Two</u>										
4 BR / 2 BA (Leasable Units)										
10-Month Lease	90	360	1,036	93,240	\$17,900	\$35,800	\$895	\$4,475	\$8,950	\$3,222,000
Summer Term									\$1,790	\$644,400
1 BR / 1 BA (RA Unites)										
10-Month Lease	7	7	522	3,654	\$0	\$0	\$0	\$0	\$0	\$0
Summer Term									\$0	\$0
3 BR / 2 BA (Manager Units)										
10-Month Lease	2	6	1,036	2,072	\$0	\$0	\$0	\$0	\$0	\$0
Summer Term									\$0	\$0
2 BR / 2 BA (Leasable Units)										
10-Month Lease	119	238	698	83,062	\$10,150	\$20,300	\$1,015	\$5,075	\$10,150	\$2,415,700
Summer Term									\$2,030	\$483,140
Total / Average	375	1,216	858	341,318						
							Gross Potential Academic Rent			\$10,936,100
							Gross Potential Summer Rent			\$2,187,220
							Gross Potential Total Rent			\$13,123,320

Cash Flow Assumptions

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Rental Increase	N/A	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Academic Term Vacancy	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Summer Term Vacancy	100.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%
Increases in Other Income	N/A	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in Expenses	N/A	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Increase in Expenses	N/A	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Management Fee	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	\$200	\$206	\$212	\$219	\$225	\$232	\$239	\$246	\$253	\$261



0
0

Existing Housing Units

	University Management							Capstone / University Management		
	2005 (actual)	2006 (actual)	2007 (actual)	2008 (actual)	2009 (actual)	2010	2011	2012	2013	2014
Housing Fees	9,203,742	9,983,278	10,824,649	13,601,006	13,831,351	14,107,978	14,813,377	15,554,046	16,020,667	16,501,287
Rental Income	720	14,504	92,248	58,771	101,266	104,304	107,433	110,656	113,976	113,976
Repairs & Maintenance	70,298	97,020	64,895	120,201	81,348	83,788	86,302	88,891	91,558	91,558
Total Operating Revenues	9,274,760	10,094,802	10,981,792	13,779,978	14,013,965	14,296,071	15,007,112	15,753,593	16,226,201	16,706,821
Salaries & Benefits	1,683,296	1,744,328	1,751,765	2,129,790	2,269,994	2,338,094	2,408,237	2,660,142	2,739,946	2,822,145
Other Personal Services	173,063	194,320	233,533	376,300	442,229	455,496	469,161	0	0	0
Contractual Services	123,549	24,380	93,320	65,723	23,856	24,572	25,309	73,972	76,191	78,477
Freight & Postage	7,801	2,825	8,434	3,683	4,219	4,346	4,476	4,145	4,269	4,397
Printing	26,594	27,686	37,072	20,511	27,467	28,291	29,140	28,085	28,928	29,795
Repairs & Maintenance	422,433	1,118,113	720,307	1,464,116	1,006,769	1,036,972	1,068,081	252,632	260,211	268,017
Travel	28,851	41,059	30,945	19,938	6,186	6,371	6,562	39,000	40,170	41,375
Utilities	928,263	1,110,306	1,180,385	1,384,471	1,437,573	1,480,700	1,525,121	1,558,234	1,604,981	1,653,131
Depreciation Expense	1,217,261	1,208,855	1,283,436	1,294,460	1,992,162	2,051,927	2,113,484	0	0	0
Telecommunication	282,384	291,638	460,707	589,906	423,725	436,437	449,530	663,944	683,863	704,379
Materials & Supplies	193,063	337,114	142,071	172,924	1,349,503	1,389,988	1,431,688	194,627	200,466	206,480
Insurance	28,165	20,676	11,672	20,130	11,695	12,046	12,407	22,656	23,336	24,036
Management Fee	0	0	0	0	0	0	0	319,106	328,679	338,540
Transfers/Admin. Overhead	281,530	344,623	424,358	370,720	469,242	483,319		417,249	429,766	442,659
Other Expenses	322,874	532,404	576,405	141,221	153,388	157,989	162,729	692,604	713,382	734,784
Total Operating Expenses	5,719,127	6,998,327	6,954,410	8,053,893	9,618,008	9,906,549	9,705,927	6,926,398	7,134,189	7,348,215
Net Income	3,555,633	3,096,475	4,027,382	5,726,085	4,395,957	4,389,522	5,301,186	8,827,196	9,092,012	9,358,606
Add Back: Depreciation	1,217,261	1,208,855	1,283,436	1,294,460	1,992,162	2,051,927	2,113,484	0	0	0
Income Available for D/S	4,772,894	4,305,330	5,310,818	7,020,545	6,388,119	6,441,449	7,414,670	8,827,196	9,092,012	9,358,606

Cash Flow Assumptions

	2005 (actual)	2006 (actual)	2007 (actual)	2008 (actual)	2009 (actual)	2010	2011	2012	2013	2014
Increase in Housing Fees	n/a	8.47%	8.43%	25.65%	1.69%	2.00%	5.00%	5.00%	3.00%	3.00%
Increase in Other Income	n/a	57.04%	40.91%	13.89%	2.03%	3.00%	3.00%	3.00%	3.00%	0.00%
Increase in Expenses	n/a	22.37%	-0.63%	15.81%	19.42%	3.00%	3.00%	3.00%	3.00%	3.00%

Notes:

2009 Actuals include \$2.3MM capital expenditure related to the renovation of Algonquin Hall. When this amount is excluded income available for debt service falls back in line with projected 2009 operating information reflected above.

Prior to FY 2012, FAU's budget for Repairs & Maintenance included capital expenditures. Starting in 2012, Capstone adjusted the budget to include only basic R&M costs, excluding capital expenditures.

Management Fees commence in FY 2012 and are related to Capstone's portion of the management of the Existing Housing Units.

The increase in "Other Expenses" in FY 2012 reflects the budgeting for capital reserve fund deposits equal to 3% of operating revenues.



	F	X	Y	Z	AA	AB
1						
2	FLORIDA ATLANTIC UNIVERSITY - INNOVATION VILLAGE					
3						
4	OPERATING EXPENSE BUDGET - Initial Five Year Perspective					
5						
6						
7	Run Date & Time	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
8		1	2	3	4	5
9						
10						
54	EXPENSE PROJECTIONS					
55						
56		1.00	1.03	1.03	1.03	1.03
57	Rental Expenses					
58	Advertising	7,500	7,725	7,957	8,195	8,441
59	Advertising - Brochures	3,000	3,090	3,183	3,278	3,377
60	Advertising - Signs	1,000	1,030	1,061	1,093	1,126
61	Advertising - Web Based	5,000	5,150	5,305	5,464	5,628
62	Advertising - Yellow Pages	0	0	0	0	0
63	Internet Survey	1,500	1,545	1,591	1,639	1,688
64	Bus Service Expense	0	0	0	0	0
65	Leasing Expense	5,000	5,150	5,305	5,464	5,628
66	Public Relations	500	515	530	546	563
67	Marketing	7,500	7,725	7,957	8,195	8,441
68	Rental Tax	0	0	0	0	0
69	Summer Conference Expense	0	0	0	0	0
70	Total Rental	31,000	31,930	32,888	33,875	34,891
71						
72						
73		1.00	1.04	1.04	1.04	1.04
74	Payroll Expenses					
75	New Housing (see Worksheet for detail) FAU Portion	294,275	306,046	318,288	331,019	344,260
76	Total Salary & Wages (see Worksheet for detail) COCM Portion	314,000	326,560	339,622	353,207	367,336
77	Staff Retention and Recruitment	15,400	16,016	16,657	17,323	18,016
78	Desk Coverage & Additional Services	0	0	0	0	0
79	3rd Party Labor	0	0	0	0	0
80	Health Life & Disability (as % of Total Salaries)	27,720	28,829	29,982	31,181	32,428
81	Workers Compensation (as % of Total Salaries)	10,780	11,211	11,660	12,126	12,611
82	Meal Plan Expense	0	0	0	0	0
83	Payroll Taxes (as % of Total Salaries)	27,720	28,829	29,982	31,181	32,428
84	Total Payroll	689,895	717,491	746,190	776,038	807,080
85						
86	Operating Administrative Expense					
87	Accounting and Audit	25,000	25,750	26,523	27,318	28,138
88	Answering Service	0	0	0	0	0
89	Bank Service Charges	1,200	1,236	1,273	1,311	1,351
90	Collection Expense	5,000	5,150	5,305	5,464	5,628
91	Contributions	0	0	0	0	0
92	Community Council	0	0	0	0	0
93	Credit Card Processing Fees	2,400	2,472	2,546	2,623	2,701
94	Dues and Subscriptions	500	515	530	546	563
95	Equipment Storage & Rental	2,400	2,472	2,546	2,623	2,701
96	Furniture Rental Expense	0	0	0	0	0
97	Legal Expenses	1,800	1,854	1,910	1,967	2,026
98	Management Incentive Fees	0	0	0	0	0
99	Management Expense as a % of Total Income	0	226,711	233,415	240,319	247,431
100	Third Party Residence Life as a % of Total Income	0	0	0	0	0
101	Management Moving Expense	2,500	2,575	2,652	2,732	2,814
102	Management Telephone	1,800	1,854	1,910	1,967	2,026
103	Off Site Housing	0	0	0	0	0
104	Office Equipment	10,000	10,300	10,609	10,927	11,255
105	Office Expense	15,000	15,450	15,914	16,391	16,883
106	Office-Expense Computer Lab	0	0	0	0	0
107	Office Expense - Corp. Allocations	0	0	0	0	0
108	Office/Land Lease Expense	0	0	0	0	0
109	Pagers & Cell Phones	3,600	3,708	3,819	3,934	4,052
110	Postage & Overnight Mail	2,400	2,472	2,546	2,623	2,701
111	Professional Development	6,000	6,180	6,365	6,556	6,753
112	Student Staff Development	2,400	2,472	2,546	2,623	2,701
113	Property Mgmt Software	12,000	12,360	12,731	13,113	13,506
114	Site Computer Expense	4,500	4,635	4,774	4,917	5,065
115	Security Deposit Interest Contributions	0	0	0	0	0
116	Service Expense (Uniforms)	0	0	0	0	0
117	Start Up Costs	0	0	0	0	0
118	Student Activities & Programs	8,250	8,498	8,752	9,015	9,285
119	Travel - Other	8,000	8,240	8,487	8,742	9,004
120	Travel - Vehicle Expense	1,200	1,236	1,273	1,311	1,351
121	Vehicle Maintenance	0	0	0	0	0
122	Total Operating Administrative Expense	115,950	346,139	356,426	367,021	377,934

	F	X	Y	Z	AA	AB
1						
2	FLORIDA ATLANTIC UNIVERSITY - INNOVATION VILLAGE					
3						
4	OPERATING EXPENSE BUDGET - Initial Five Year Perspective					
5						
6						
7	Run Date & Time	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
8		1	2	3	4	5
9						
10						
123						
124						
125	Trust AdministrativeExpense					
126	Bond Issuer Fees	0	0	0	0	0
127	Bond Rating Fees	15,000	15,450	15,914	16,391	16,883
128	Owner Fees (as a % of Total Income)	0	113,355	116,707	120,160	123,716
129	Trustee Fees	5,000	5,150	5,305	5,464	5,628
130	Total Trust Administrative Expense	20,000	133,955	137,925	142,014	146,226
131						
132	Common Area Expenses					
133	Common Area Equipment	2,400	2,472	2,546	2,623	2,701
134	Common Area Repairs	3,600	3,708	3,819	3,934	4,052
135	Exterminating	15,000	15,450	15,914	16,391	16,883
136	Furniture, Fix & Equip Install	0	0	0	0	0
137	Garbage	25,000	25,750	26,523	27,318	28,138
138	General Cleaning	2,400	2,472	2,546	2,623	2,701
139	Parking Lot	0	0	0	0	0
140	Pool & Hot tub	0	0	0	0	0
141	Rec Amenities Maint Fee	600	618	637	656	675
142	Management Off Site Housing	0	0	0	0	0
143	Safety Equipment Maintenance	12,000	12,360	12,731	13,113	13,506
144	Security Services (Desk Coverage Built Into Payroll)	0	0	0	0	0
145	Total Common Area	61,000	62,830	64,715	66,656	68,656
146						
147	Ground Expenses					
148	Landscape	24,000	24,720	25,462	26,225	27,012
149	Snow Removal	0	0	0	0	0
150	Total Grounds	24,000	24,720	25,462	26,225	27,012
151						
152						
153						
154	Utilities					
155	Cable TV	42,620	43,899	45,216	46,572	47,969
156	Electricity - Common Area	0	0	0	0	0
157	Utilities - Common Area	0	0	0	0	0
158	Electricity - Parking Lot	6,000	6,180	6,365	6,556	6,753
159	Electricity - Tenant	750,200	772,706	795,887	819,764	844,357
160	Electricity - Vacant	4,000	4,120	4,244	4,371	4,502
161	Natural gas	0	0	0	0	0
162	Internet Service Exp	177,320	182,640	188,119	193,762	199,575
163	Security & Alarm Monitoring	5,000	5,150	5,305	5,464	5,628
164	Sewer	136,400	140,492	144,707	149,048	153,519
165	Steam	0	0	0	0	0
166	Storm Water Charge	6,000	6,180	6,365	6,556	6,753
167	Utility Packaging Income	7,000	7,210	7,426	7,649	7,879
168	Tenant Telephone	0	0	0	0	0
169	Water	136,400	140,492	144,707	149,048	153,519
170	Summer Utilities	0	0	0	0	0
171	Total Utilities	1,270,940	1,309,068	1,348,340	1,388,790	1,430,454
172						
173						
174		1.00	1.03	1.03	1.03	1.03
175	Interior Unit Expenses					
176	Blinds & Drapes	1,100	1,133	1,167	1,202	1,238
177	Carpet & Tile Replacement	550	567	583	601	619
178	Carpet Cleaning	18,337	18,887	19,453	20,037	20,638
179	Furniture Repairs	350	361	371	382	394
180	Furniture Storage	0	0	0	0	0
181	Interior Cleaning - Contract	25,789	26,562	27,359	28,180	29,025
182	Interior Cleaning - Supplies	0	0	0	0	0
183	Interior Paint - Labor	99,873	102,869	105,955	109,133	112,407
184	Interior Paint and Supplies	2,750	2,833	2,917	3,005	3,095
185	Interior Repairs	1,050	1,082	1,114	1,147	1,182
186	Common Areas	2,000	2,060	2,122	2,185	2,251
187	Total Interior Unit	151,798	156,352	161,042	165,873	170,850

	F	X	Y	Z	AA	AB
1	FLORIDA ATLANTIC UNIVERSITY - INNOVATION VILLAGE					
2						
3	OPERATING EXPENSE BUDGET - Initial Five Year Perspective					
4						
5						
6						
7	Run Date & Time	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
8		1	2	3	4	5
9						
10						
188						
189						
190	Maintenance					
191	Appliance Repair	0	3,708	3,819	3,934	4,052
192	Appliance Replacement	1,200	1,236	1,273	1,311	1,351
193	Building Electric Repairs	0	2,472	2,546	2,623	2,701
194	Building Exterior Cleaning	0	1,236	1,273	1,311	1,351
195	Elevator Maintenance	0	25,750	26,523	27,318	28,138
196	Exterior Paint - Labor	0	0	0	0	0
197	Exterior Paint - Supplies	0	0	0	0	0
198	Exterior Repairs - Labor	0	1,236	1,273	1,311	1,351
199	Exterior Repairs - Supplies	0	1,236	1,273	1,311	1,351
200	Fire & Safety Equipment	6,000	6,180	6,365	6,556	6,753
201	HVAC Repair	0	1,236	1,273	1,311	1,351
202	HVAC Replacement	0	2,472	2,546	2,623	2,701
203	Keys & Locks	2,400	2,472	2,546	2,623	2,701
204	Maintenance Contract	0	0	0	0	0
205	Light Bulbs	1,500	1,545	1,591	1,639	1,688
206	Air Filters	3,200	3,296	3,395	3,497	3,602
207	Plumbing	1,500	1,545	1,591	1,639	1,688
208	Roof Repair	0	618	637	656	675
209	Tools & Equipment	4,800	4,944	5,092	5,245	5,402
210	Uniforms	1,000	1,030	1,061	1,093	1,126
211	Total Maintenance	21,600	62,212	64,078	66,001	67,981
212						
213						
214	Taxes & Insurance					
215	Life Insurance	0	0	0	0	0
216	Taxes Paid by Partnership	0	0	0	0	0
217	*Property & Liability Insurance - Inflated @	368,977	380,046	391,447	403,191	415,287
218	Property Taxes	0	0	0	0	0
219	Rental/State Tax	0	0	0	0	0
220	Total Taxes & Insurance	368,977	380,046	391,447	403,191	415,287
221						
222						
223	Reserves					
224	Furniture Reserve - on a per Bed basis	212,800	219,184	225,760	232,532	239,508
225	Building Reserve - on a per Bed basis	30,400	31,312	32,251	33,219	34,215
226	Contracted Garage Addition Project	0	0	0	0	0
227	Operating Reserve	0	0	0	0	0
228	Lessor's Fund	0	0	0	0	0
229	Total Reserves	243,200	250,496	258,011	265,751	273,724
230						
231	Non-Cash Items					
232	Bad Debt Expense (only needed if COCM collects rents)	4,500	4,635	4,774	4,917	5,065
233	Depreciation Expense	0	0	0	0	0
234	Amortization Expense	0	0	0	0	0
235	Land Lease	0	0	0	0	0
236	Amortization & Depreciation	4,500	4,635	4,774	4,917	5,065
237						
238						
239	Total Expenses					
240	Total Expenses - Does not Include Management Fee	3,002,859	3,479,874	3,591,299	3,706,354	3,825,158

**BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
Project Summary
Florida Atlantic University
Innovation Village Housing Project**

Project Description:

The proposed Innovation Village Housing project (the “Project”) is the first phase of a multi-phase mixed use project known as Innovation Village. Innovation Village is being undertaken in an effort to transform Florida Atlantic University (the “University”) into a more traditional campus where students reside and engage in a full range of campus activities. This effort, which was approved as a top priority for the University by unanimous vote of its Board of Trustees, aims to provide programs and places that will heighten the traditional university experience for students and all members of the University community. In identifying this priority, the University Board considered the experiences of other young universities that have enhanced their appeal through similar successful campus developments. The Board also looked at national data that show a direct correlation between student recruitment, retention, and graduation, and on-campus living.

Innovation Village will make the on-campus living experience both more available and more appealing to the University’s current and prospective students. It will be constructed in a contiguous and currently undeveloped area of the Boca Raton campus. Innovation Village will offer facilities and opportunities for living, learning, dining, shopping, and recreation that do not currently exist on the campus. By concentrating these facilities in close proximity to one another, Innovation Village will create a center of campus activity. The University expects to more than double the number of on-campus residents in the next decade, and the student residence halls, shopping and dining establishments, and recreational and athletics facilities in Innovation Village are thus essential to provide a fuller, more engaging university experience for all students.

The Project is the first phase of Innovation Village and will include the construction of a student residence facility comprised of two buildings with an approximate total square footage of 504,000, including common areas. The University has established the FAU Financing Corporation (the “DSO”) to construct, finance and manage capital projects for the benefit of the University, including Innovation Village and the Project. The Project will increase the current student housing available on the University’s Boca Raton

campus from six buildings and 2,446 beds to a total of eight buildings with 3,664 beds. In addition to the Project, Innovation Village is planned to include additional student housing and student life facilities, as well as retail, commercial, recreational and athletic facilities to be located on the University's Boca Raton campus.

The University currently manages all aspects of its housing system. The operation of both the University's existing housing system and the DSO's new Project will now be jointly operated by both the University and a private entity selected through a competitive process. The University will be responsible for all residence life management and will collect revenues on behalf of the DSO, and the private entity will be responsible for operations and maintenance of both systems, pursuant to a Management Agreement.

The Project is consistent with the Campus Master Plan and Campus Development Agreement.

Facility Site Location: The proposed Project will be located on the Boca Raton campus of Florida Atlantic University.

Projected Start and Opening Date: Construction of the Project is expected to commence in February of 2010 and is anticipated to be completed and available for occupancy by August of 2011.

Demand Analysis: By University policy, all full-time freshmen are required to reside in University Housing. Insufficiency of available beds has made this policy difficult to maintain. For Fall 2009, University housing had an occupancy rate of 99%. The University has consistently maintained a waiting list for students wishing to live in on-campus housing. Even with the addition of 500 beds in 2007, the University had a waiting list that exceeded 400 students in 2009. While enrollment at the Boca Raton campus for Fall 2009 totaled 20,309 students, a 12.5% increase over Fall 2005, information provided by the University to the BOG indicates that the University anticipates minimal enrollment growth for the next few years.

A market study conducted by Brailsford & Dunlavey found an indicative demand of more than 1,300 beds and that Innovation Village will face little significant competition from nearby off-campus rental properties.

The primary targeted market for the Project is upper division undergraduate and graduate students - a target market that complements another University priority of expanding its research

program. Approximately 760 upper division students currently reside in Boca Raton campus housing, which is roughly 8% of the full-time upper division students on the Boca Raton campus. It should be noted that over 1400 upper division students sought to live on campus in the most recent application period. Projected occupancy levels in the new units combined with the existing units will require a total of 1800 upper division students, which is roughly 20% of FAU's projected full-time upper division enrollment on the Boca Raton campus in 2011. The additional 1040 upper division residents that will be necessary to reach this number is well within the projected demand of 1300 students shown in the Brailsford & Dunlavey market analysis.

The Project will offer high amenity, apartment style living, including academic, social and recreational amenities, a swimming pool, fitness room and large open green spaces. When the facility opens in Fiscal Year 2011-2012, the projected rental rate for fall and spring semesters is \$4,475 to \$5,075 per bed, per semester, and \$1,790 per bed for the summer semester. These rates will be 29% to 75% higher than the anticipated single room rental rates for existing housing facilities for 2011-12, which are projected to range from \$2,567 to \$3,911, since the Project will be the newest housing on campus and will offer additional amenities. The University has not planned any rate increases on the existing housing system for purposes of paying debt service on the Bonds.

Project Cost and Financing Structure:

The proposed Project construction cost and associated soft costs is approximately \$111.2 million, including \$6.6 million in developer fees, a \$12 million upfront ground lease payment, and reimbursement to the University for funds already spent from existing Housing Reserves in the amount of \$2,500,000. The Project will be financed with proceeds from fixed rate bonds currently estimated at \$130,050,000 (the "Bonds"). The financing structure consists of approximately \$126,685,000 million of fixed rate Senior Series Revenue Bonds (the "Series A Bonds"), and \$3,365,000 of subordinated Junior Series B Bonds (the "Series B Bonds"). The Series A Bonds will be issued at an assumed interest rate of 4.96%. The Series B Bonds will be privately placed with the developers at an interest rate not in excess of the interest rate limitations provided by law (assumed interest rate of 7.33%). The DSO is selling the Series B Bonds to the developer in order for the developer to share some of the risk of the Project's financial performance. The Series B Bonds will not be transferable by the developer until such time as the term of the Management Agreement has expired or been terminated by

the University, including the term of any extensions or renewals. Both Series will mature in just over thirty (30) years after issuance, and are structured with level debt service payments, with the first principal payment occurring in July 2013.

Interest on the debt in the estimated amount of \$12.1 million will be funded from proceeds (capitalized interest) for a period beginning upon the closing of the issue and extending through construction completion plus an additional six months. The use of capitalized interest increases the cost of the financing, but is necessary for the financial feasibility of the Project because the Project does not begin to generate revenues until completion and occupancy. Once completed, the revenues generated by the Project will be sufficient to pay debt service on both the Series A Bonds and the Series B Bonds. Future surplus revenues from the existing University housing facilities are pledged to support the Project in order to obtain an A rating on the Series A Bonds. The University has not planned nor does it anticipate increasing the rates on the existing housing to pay debt service on the Bonds. Interest payments on the Series B Bonds will be deferred during the construction period, with the deferred amount paid in 2013. Additionally, \$8.7 million will be used to fund a debt service reserve and \$1.6 million will be used to pay issuance costs.

Up to \$12 million of the proposed Project costs of \$111 million will be used by the DSO to pay for a ground lease with the University. This is an unusual feature in that the typical ground lease to a DSO for university housing purposes would be for a nominal amount, rather than \$12 million. The Project being financed with the Bonds is the first phase in the multi-phase Innovation Village that will be available to all students and faculty of the University. The University plans to spend the \$12 million on infrastructure costs that will benefit not only the first phase but all future phases of Innovation Village. This includes running the water, sewer and electric utility improvements and new roads to the undeveloped portion of campus where the housing, commercial retail, student life and athletic facilities which will be located in and near Innovation Village, as well as defraying the capital costs of a proposed football stadium that is the next planned phase of Innovation Village. Specifically, the road improvements will enhance traffic flow for the Project, Innovation Village and the entire campus. Likewise, the utility improvements, which are anticipated to include an expansion of the University's chilled water plant, will also benefit the Project, Innovation Village and other University facilities including the existing residence halls.

It is contemplated that 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 may be 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 Build America Bonds.

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

Security/Lien Structure: The Bonds will be secured by a lien on pledged revenues as defined in the Trust Indenture (the “Pledged Revenues”) to include the net operating revenues of the Project and future surplus revenues generated by the existing housing system, subject to the prior payment of obligations due under the currently outstanding bonds of the existing housing system. The lien on the University’s existing housing system will be closed, and no further debt will be incurred under the existing bond resolution. The University is committed to ensuring that sufficient revenues will be generated from the Project to fulfill the University’s obligations with respect to the Debt.

Currently the aggregate principal amount outstanding on the existing housing system debt is \$77,740,000, and there are no other liens against the Pledged Revenues.

Pledged Revenues and Debt Service Coverage: For fiscal years 2011-2012, the first year of operation of the Project, to 2014-2015, Pledged Revenues are projected to grow approximately 3% per year, from \$13,584,581 to \$15,904,831, with projected annual debt service coverage of 3.17x in 2011-2012 (after capitalized interest) and 1.37x in 2014-2015. Included in the pledged revenue amounts are expected future surplus revenues of the existing Housing system which have been included solely to obtain the A rating on the Series A Bonds, as required by the BOG Debt Management Guidelines. The projected debt service coverage has been calculated using assumed interest rates of 4.96% on the Series A Bonds and 7.33% on the Series B Bonds through the assumed maturity date of July 1, 2040.

Projected net revenues are based on an assumed academic year occupancy rate of 95% and summer occupancy rate of 15%. The University has assumed that the projected revenues and expenses will increase by 3% per year. The projections provided by the University indicate that the Pledged Revenues will be sufficient to pay required debt service on the debt. In the event of a shortfall in

revenues sufficient to pay the Series B Bonds, the obligation to pay will remain, but the Subordinate Bondholders must wait to be paid until the revenues are sufficient to satisfy such obligations.

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

Type of Sale:

The University provided an analysis of the most appropriate method of issuing the debt (competitive versus negotiated) as required by the Debt Management Guidelines. The University is requesting approval for a negotiated sale. The University feels that, among other factors, uncertainty in the market for 'A' rated credits warrant a negotiated sale in order to provide additional investor education.

**Analysis and
Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by Florida Atlantic University with respect to the request for Board of Governors approval for the subject financing.

Based upon the information provided, including a market study conducted by Brailsford & Dunlavey, the University believes that demand for the existing and proposed housing is adequate to support construction of the Project. Additionally, the housing system has historically generated positive debt service coverage and is projected to continue to provide adequate debt service coverage in the future based upon the University's assumptions as to revenue and expenditure growth. (It should be noted that while the existing housing system revenues are pledged to enhance the credit rating of the new system, the new system is projected to generate a stand-alone positive cash flow after the Capitalized Interest period, and that the University has not planned nor anticipates increasing existing housing rental rates to provide additional funding to the Project or the new housing system in its financial projections.)

In addition, FAU maintains a five-year Renovation and Repair plan for housing. As required under our existing bond covenants, amounts required for the Renovation and Repair reserve are approved in the University's annual budget process. We will continue to fund the R & R accounts through the university's annual budget process in accordance with the bond covenants, to assure that the existing residence halls are appropriately maintained.

However, the financing structure is unique and raises policy issues which must be considered by the Board of Governors with regards to s. 1010.62, Florida Statutes, and compliance with the BOG Debt Guidelines.

Section 1010.62, Florida Statutes, requires that revenues of one University auxiliary enterprise fund may not be used to secure debt of another University auxiliary fund unless the Board of Governors determines that the facilities to be financed are functionally related to auxiliary enterprise revenues being used to secure the debt. Revenues derived from the DSO's operation of its assets that are being constructed, and those leased from the University, are the sole source of repayment of the proposed bonds. While only these DSO housing revenues will be used to secure housing debt, up to \$12 million of bond proceeds will be used by the DSO to make an upfront payment to the University on a ground lease of the property. In turn, the University plans to use these funds for non-Housing System improvements related to Innovation Village, including shared utility, infrastructure, and road improvements for Innovation Village, as well as a portion of the capital costs of a football stadium.

While the DSO intends to apply some project revenues to support Innovation Village capital costs, there is no pledge of University or DSO housing system revenues towards the proposed DSO stadium debt, and no pledge of stadium revenues to support the DSO's housing system. Accordingly, there is no fiscal relationship between the financial success of the DSO's housing assets and the financial success of the proposed athletic component of FAU Innovation Village. Neither the existing fund balances in the University's housing auxiliary fund nor the revenues that will be generated from University housing facilities not being leased to the DSO (such as the University's student housing facilities located on its Jupiter campus) will be pledged to secure the repayment of the Bonds. Only the future net revenues to be generated from the Project and the future surplus revenues from existing housing facilities that are being leased to the DSO will be pledged to secure the repayment of the Bonds.

In addition, all revenues pledged to repay the bonds will be DSO revenues, rather than University revenues, and are therefore not revenues from University auxiliary funds. However, even if the revenues were University auxiliary funds and were pledged to secure the debt of other Innovation Village projects, the University believes that all the components of the proposed Innovation Village are functionally related, and that student life at the University will

benefit from the proximate location of housing, athletic and commercial facilities. One of the defining characteristics of Innovation Village is the concentrated geographic proximity of its facilities. This geographic nexus creates a campus focal point for a wide array of recreational and social activities, thus providing students the opportunity to enjoy a fuller, more engaging university experience. The Innovation Village concept is thus a major component in the University's strategic vision to continue its transition from a "Commuter" campus to a more traditional one.

While the costs of these and other major components of Innovation Village have not yet been finalized, the University believes that the added value of these additional components (athletic and commercial facilities) will outweigh the additional cost of Innovation Village Housing compared to existing housing.

A result of the proposed structure also raises an issue regarding the BOG Debt Guidelines, which states that *"All bonds of a particular program should be secured by a first lien on specified revenues. Additionally, bonds should generally be equally and ratably secured by the revenues pledged to the payment of any outstanding bonds of a particular bond program. However, the creation of a subordinate lien is permissible if a first lien is not available or circumstances require."* Revenues from the University's existing housing inventory on the Boca Raton campus secure outstanding bonds that were previously issued by the Division of Bond Finance on behalf of the University. The lien on these existing housing revenues will not be adversely impacted by the proposed financing, as the DSO lease of the existing housing units from the University is expressly subject to the prior lien granted by the University on these revenues to the existing bondholders. Only future surplus revenues from the existing housing facilities – that is, the surplus that will remain after payment of the annual debt service on the existing bonds – will be added to the net revenues from the Project to form the Pledged Revenues for the Bonds. The holders of the Series A Bonds will have a first lien on the Pledged Revenues and the holders of the Series B Bonds will have a subordinate lien on the Pledged Revenues. Thus, the university believes that the creation of a subordinate lien is permissible.

In this case, the DSO is issuing bonds that, while not technically subordinate to the University's outstanding bonds, do rely on the pledge of surplus revenues from the University's existing housing system to enhance the new system's credit rating. Accordingly, the Bonds are viewed as subordinate for the purposes of this analysis.

The DSO's bonds are being issued in order to provide funding for the Project and an additional \$12 million to fund improvements related to Innovation Village, including shared utility, infrastructure, and road improvements, as well as a portion of the capital costs of a football stadium. The University's position is that these improvements are critical to improve and support student life. Since the additional \$12 million in Housing debt is not being secured by any other funding, this use is not prohibited by s. 1010.62. This credit enhancement in turn allows the DSO to borrow funds (bond proceeds) at a competitive "A" rated rate for the Project and related components of Innovation Village. More specifically, the \$3,365,000 in Series B Bonds is being issued on a subordinate basis to the Series A Bonds in order to allow the Project Developer to share in a small portion of the risk of the Project's financial performance. The University believes the circumstances described provide sufficient justification to issue the Bonds with the lien structure described.

The interest rate on the Series B will carry a higher rate than the publicly offered Series A Bonds because those Bonds assume an increased risk, and their repayment is contingent on the success of the Project. Therefore, consideration must be made as to whether having the Developer's equity at risk warrants paying interest rates of more than 200 basis points over current rates. In the event of a shortfall in revenues sufficient to pay the Series B Bonds, the obligation to pay remains, but the Subordinate Bondholders must wait to be paid until the revenues are sufficient to satisfy such obligations. The DSO also has the right to prepay the Series B Bonds at any time, without penalty. The Series B Bonds will not be transferrable until the term of the Management Agreement expires or is terminated by the University, including any extensions or renewals. The initial term of the Management Agreement is ten years.

The policy issues discussed above, as well as all other information provided, must be appropriately considered by the Board of Governors in determining whether or not to approve adoption of the resolution authorizing the proposed financing. Projections provided by the University indicate that sufficient net revenues will be generated to pay debt service on the Bonds. Further information provided by the University supports the conclusion that all components of the proposed Project and associated debt are functionally related. The University also provided information that demonstrates the circumstances warrant issuing the new debt on a non-parity basis with existing Housing debt. BOG staff has concluded that the University has established the functional

relationship and demonstrated that the circumstances warrant issuing new debt on a non-parity basis. Approval of the resolution, as presented, establishes this determination by the Board. Based on BOG staff analysis, the proposed financing is in compliance with the Florida Statutes governing the issuance of university DSO debt and with the Board of Governors Debt Management Guidelines. However, this approval should be subject to the condition that the Series B Bonds, if issued, be non-transferrable during the term of the Management Agreement, including any extensions or renewals. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing, as presented.

**A RESOLUTION APPROVING THE ISSUANCE BY
FLORIDA ATLANTIC UNIVERSITY FINANCING
CORPORATION (THE "CORPORATION"), A
UNIVERSITY DIRECT SUPPORT ORGANIZATION, OF
DEBT, IN AN AMOUNT NOT TO EXCEED \$140,000,000;
AND PROVIDING AN EFFECTIVE DATE.**

The duly acting and appointed Board of Governors (the "Board of Governors") of the State of Florida at a meeting duly held pursuant to notice and a quorum being present do hereby make the following resolutions:

BE IT RESOLVED:

1. Findings. The Board of Governors hereby finds as follows:

(A) Pursuant to Article IX, section 7 of the Florida Constitution, the Board of Governors is vested with the power to operate, regulate, control and manage the State University System of Florida. The Board of Governors is further vested with the authority to approve the issuance of debt by a state university or its direct support organization pursuant to section 1010.62(3), Florida Statutes.

(B) The Florida Atlantic University Financing Corporation, (the "Corporation") was established by the Florida Atlantic University Board of Trustees (the "University Board") to provide direct support to Florida Atlantic University (the "University") and certified as a "University Direct Support Organization" by the University Board of Trustees (the "University Board") pursuant to Board of Governors Regulation 9.011.

(C) The University Board has requested approval from the Board of Governors for the issuance by the Corporation of debt in an amount not to exceed \$140,000,000 (the "Debt") for the purpose of financing: (i) the construction of a housing facility consisting of two-buildings of approximately 504,000 square feet and 1,218 beds to be located on the Main Campus of the University (ii) a debt service reserve, if any; (iii) capitalized interest and (iv) certain costs relating to the Debt (collectively, the "Project"). The foregoing plan to finance the Project is collectively referred to herein as the "Financing Plan".

(D) Upon consideration of the Financing Plan, the Board of Governors further finds that the issuance of the Debt is for a purpose that is consistent with the mission of the University; is structured in a manner appropriate for the prudent financial management of the University; is secured by revenues adequate to provide for all debt

service payments; has been properly analyzed by the staffs of the Board of Governors and the Division of Bond Finance; and is consistent with the Board's Debt Management Guidelines.

(E) The Board of Governors declares that the Project will serve a public purpose by providing needed student housing facilities at the University.

(F) After appropriate review and analysis, the Board of Governors determines that the facilities being financed, including the University's proposed football stadium and other capital infrastructure such as water, sewer, road and electric utility improvements related to Innovation Village which are being financed with a portion of the proceeds of the Debt, are functionally related to the housing revenues being used to secure such Debt.

2. Approval of the Project. The Project is approved by the Board of Governors as being consistent with the strategic plan of the University and the programs offered by the University.

3. Approval of the Debt. The Board of Governors hereby approves issuance of the Debt by the Corporation for the purposes described herein, in an amount not to exceed \$140,000,000, said Debt is to have a final maturity not to exceed thirty (30) years from the date thereof and an interest rate or rates acceptable to the Corporation. This approval is subject to the understanding that (i) the Debt shall be secured by a lien on the net revenues generated from the operations of the Project, in addition to surplus revenues of the existing housing system which are functionally related to the purpose served by the Project, 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 units land and an assignment of the development, design, construction and other project agreements with the Developer and the DSO or University, and (ii) the proceeds of the Debt shall be used exclusively to fund the Project.

4. Repealing Clause. All resolutions of the Board of Governors or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

5. Authorization of Further Actions Consistent Herewith. The members of the Board of Governors, attorneys, or other agents or employees of the Board of Governors are hereby authorized and directed to do all acts and things required of them by this resolution or desirable or consistent with the requirements hereof, to assure the full, punctual and complete performance of all the terms, covenants and agreements contained in the Debt and this resolution; including execution of such documents,

certificates, contracts and legal opinions and other material delivered in connection with construction, financing or leasing of the Project for use by the University, the issuance of the Debt or as necessary to preserve any tax-exemption thereon, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

6. Effective Date. This resolution shall become effective immediately upon its adoption.

CERTIFICATE OF THE CORPORATE SECRETARY

The undersigned, Corporate Secretary of the Board of Governors, does hereby certify that the attached resolution relating to the issuance of Debt by the University of South Florida Financing Corporation is a true and accurate copy as adopted by the Board of Governors on January 28, 2010, and said resolution has not been modified or rescinded and is in full force and effect on the date hereof.

**BOARD OF GOVERNORS
OF THE STATE OF FLORIDA**

Dated: _____, 2010

By: _____
Corporate Secretary

00538599.1