

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

Project Description:

The Project includes 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 being developed to expand the University's existing student housing system, which is currently comprised of six on-campus buildings with 2,446 existing beds (the "Existing Units"). 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 of the Project is expected to begin in February 2010 and to be completed August 2011. Proceeds of the Debt, as hereafter defined, are anticipated to be sufficient to complete the construction of the Project which is estimated to be approximately \$120,560,000. 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 FAU Finance Corporation (the "DSO").

**Project Cost and
Financing Structure:**

The proposed Project will be financed with the issuance not to exceed \$126,580,000 Capital Improvement Revenue Bonds, Senior Series 2009A (the "Series 2009A Bonds"), the

issuance not to exceed \$3,365,000 Capital Improvement Revenue Bonds, Junior Series 2009B (the "Series 2009B Bonds") and the issuance not to exceed \$9,950,000 Capital Improvement Revenue Bonds, Subordinate Series 2009C (the "Series 2009C Bonds" which together with the Series 2009A Bonds and the Series 2009B Bonds are referred to herein as the "Bonds"). Financing for the project will be fixed rate. It is contemplated that a portion of the Bonds may be issued as tax exempt Bonds and a portion as taxable Build America Bonds. The DSO will issue the Bonds pursuant to a Trust Indenture by and among the DSO and a corporate trustee (the "Trustee") to be selected by the DSO. The Bonds will be structured with a 32 year final maturity with the first Payment from pledged revenues being January 1, 2012 and the first principal to be paid with respect to the Project will be July 1, 2013. A portion of the 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.

Cost of construction and associated soft costs of the Project will be approximately \$120,560,000 which will be financed with proceeds of the Debt. Investment earnings on the construction funds prior to expenditure on the Project are not anticipated to be significant however, such earnings will be available and be used to pay costs of the Project. A debt service reserve fund will be established and funded.

- Type of Sale:** The Bonds will be sold pursuant to a negotiated sale with an underwriting firm that was selected in a competitive process in summer of 2008.
- Facility Site Location:** The proposed Project will be located on an 16.57 acre site located on the northeast side of the University's core campus.
- Security/Lien Structure:** The fixed rate Bonds will be secured by a lien on Pledged Revenues as defined in the Trust Indenture to include (i) the net operating revenues of the Project and surplus revenues of the Existing Units, subject to the payment of

amounts due the State under the State Bond Resolution, (ii) the DSO's interest in the Ground Lease from the University related to the Project site and the Existing Units land, (iii) an assignment of the development, design, construction and other project agreements with the Developer and the DSO or University

Project Start and Opening Date:

It is anticipated that construction of the Project will commence in February, 2010 and the Project will be available for occupancy in September of 2011.

Pledge Revenues and Debt Service Coverage:

For Fiscal Year 2011-12, the first year of operation of the Project, total revenues are expected to equal \$13,486,527 which would produce a debt service coverage ratio of 1.78x¹. Revenues and expenses are projected to grow approximately 3% per year over a 10-year period.

The debt service coverages have been calculated using an assumed interest rate of 5.40% (A Bonds) - 9.25% (C Bonds) on the Debt.

Analysis and Recommendation:

The University Board of Trustees and its staff have reviewed the information provided by the DSO with respect to the request for Board of Governors approval for the subject financing. The University Board of Trustees 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 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

¹ Calculation reflects the credit of monies in the capitalized interest fund against debt service. In fiscal year 2012-13 the projected debt service coverage ratio is 1.20x.

resolution approving the issuance of the bonds by the DSO.