



Board of Trustees Meeting Minutes

BOT approved 02.16.2023

**October 18, 2022
3:00 PM – 5:00 PM**

Florida Polytechnic University WEBEX TELE-CONFERENCE MEETING

I. Call to Order

Vice Chair Beth Kigel called the meeting to order at 3:00 p.m.

II. Roll Call

Kristen Wharton called the roll: Vice Chair Beth Kigel, Trustee Susan LeFrancois, Trustee Melia Rodriguez, Trustee Narendra Kini, Trustee Mark Bostick, Trustee Lyn Stanfield, Trustee Bob Stork, and Trustee Gary Wendt were present (Quorum).

Trustees not present: Chair Cliff Otto, Trustee Laine Powell

Staff present: President Randy Avent, Provost Terry Parker, Dr. Allen Bottorff, Kathy Bowman, David Blanton, Mike Dieckmann, David Fugett, Alex Landback, Melaine Schmiz, and Kristen Wharton were present.

Others present: Brad Noyes and Brenden Kollar, Brailsford & Dunlavey

III. Public Comment

There were no requests received for public comment.

IV. Student Housing

Dr. Allen Bottorff welcomed the Division of Bond Finance as the newest partners to come alongside of Florida Poly to help provide financing for the student housing project. He also stated today he will ask for Board approval of the Florida Poly Housing System as well as a resolution for issuance of bonds and recommendation to the Board of Governors of the University's housing system and bond issuance.

Brad Noyes, from Brailsford & Dunlavey, began the presentation by reviewing project goals, including the University's desire to retain greater control over its housing operation to meet enrollment, retention, and student success goals; to acquire Phase 2 Housing; and to create the necessary beds to meet student demand.

The University has selected Capstone Development Partners as the Developer of the project, who brings with them an integrated team for the design, construction, and maintenance of the project. Operation functions will be shared with Florida Poly.

Noyes reviewed the site of the project, determined by the Developer to be a cost-effective location, giving the University a real "quad" for the first time. This location is also consistent with the Campus Master Plan (CMP). Noyes shared exterior design images which meet Florida Poly's design standards, as well as internal floor plan configurations. Bottorff stated that the

project's budget is on target.

The purchase price of Phase 2 is \$27.2M (\$50.5k/bed) as negotiated in the existing ground lease for Phase 2. The cost for Phase 3 is \$40.8M (\$94.9k/bed). Total financing costs equal \$6M (\$6.2k/bed) which will then create an estimated Internal Rate of Return (IRR) from the Division of Bond Finance of 9.8%. Bottorff added the \$6M for financing costs includes \$4.2M of capitalized interest for 18 months.

Noyes reviewed the project schedule and noted that activity is currently on schedule for a Phase 2 acquisition in summer 2023 and opening of Phase 3 housing in August 2024.

Trustee Gary Wendt asked why the site for Phase 3 housing site was selected. Bottorff responded the University wants to co-locate this five-story structure with the other two five-story dormitories to help create a quad. It also preserves the pond-edge for lower height buildings. President Randy Avent added this was a long-term decision and that the University will use all of the existing campus space and beyond in the future.

Bottorff proceeded to review the updated deal structure, covering ownership, development, and operations and management. He stated Florida Poly will maintain ownership of the land and asset; the housing will be financed through the state's Division of Bond Finance; and that Florida Poly will receive all net cash flows from the new housing system. Capstone will deliver the newly constructed Phase 3 and will manage design and construction, guaranteeing on-time and on-budget delivery. Once Phase 3 opens, Florida Poly will provide leasing, residence life, and other services, while Capstone will provide custodial, maintenance, and asset management services.

Key project outcomes include both campus life and fiscal impacts. Florida Poly will increase its on-campus bed capacity by 430 beds by the fall of 2024, as well as own Phases 2 and 3, creating a new housing financial system that supports the operation of multiple assets. As a result, the University will have more control of rental rates and cash flow after debt proceeds.

Bottorff reviewed the debt coverage ratio (DCR) requirements of Florida Poly's internal policies, and those of the Board of Governors guidelines, which state any bonded elements must have a minimum of a 1.2 DCR. This means the net operating revenue generated by the project must be 20% more than the bond payment or the debt service that the University has to pay on an annualized basis. This 1.2 DCR is important to ensure the system stays healthy and the University meets its debt service. Bottorff continued reviewing the financial system model in greater detail including a minimum increase to Phase 2 rates by 7% in FY 2023-24, then a minimum average system rate increase of 4% in FY 2024-25, followed by a minimum average system rate increase of 3.5% in FY 2025-26, and a minimum 3% thereafter beginning FY 2026-27. These increases are required to achieve and maintain the required DCR and build the system.

Trustee Wendt inquired about the remedies in case the University defaults. Noyes responded if the University underperforms for more than one year and violates the DCR, the public bond holders can conduct an independent study to determine how the University could improve overall performance. If the University continues to systematically underperform, then they could repossess the improvements; however, their goal is to see the University succeed.

Trustee Wendt also asked if the University will be required to go through a new process of raising money if the owner of Phase 1 wants to sell some day. Bottorff responded in the affirmative, as well as for any additional phases of student housing; however, the housing system will already be established, making the process easier in the future as a performing asset in place.

Bottorff continued the presentation by reviewing the rental rates for the various types of on-

campus housing units, as well as the actual and projected off-campus cost of living per bed for comparison. The University's proposed rates will be comparable to off-campus housing.

Trustee Melia Rodriguez inquired if the amenities in the proposed Phase 3 units will be the same style as Phase 2 units, or if they will contain full kitchens. Brenden Kollar reviewed the amenities in the proposed semi-suite and full suite units. Semi-suite hotel-like with bedroom and bathroom but no kitchen facilities. Full suite is a junior apartment with a living area and, in some cases, a small kitchenette. Trustee Rodriguez expressed concern some students will still be attracted to off-campus housing for lack of a kitchen or kitchenette in the on-campus units. President Avent responded by clarifying the on-campus rental rates are comparable even with the required purchase of a meal plan, because the rental lease is only for nine-months, and a student would not necessarily incur the cost of transportation.

Trustee Wendt asked if the proposed rental increases are because of expected increases in operating costs. Bottorff responded the increase of 7% for Phase 2 in fall 2023 is needed for Florida Poly get to the 1.2 DCR by that third year. This projected schedule shows where the average rates need to be in order for the University to make the model work. Bottorff also stated these rate increases are comparable with other universities in the State University System (SUS).

Bottorff finished the presentation by reviewing the project timeline.

A motion was made by Trustee Melia Rodriguez to approve the creation of the Florida Poly Student Housing System ("FL Poly Housing System"). Within this recommendation is approval of the request to the State University System of Florida Board of Governors ("BOG") for approval of the FL Poly Housing System and an accompanying resolution to authorize the issuance of tax-exempt bonds to finance its acquisition and construction. Trustee Gary Wendt seconded the motion; a vote was taken, and the motion passed unanimously.

V. Closing Remarks and Adjournment

With no further business to discuss the meeting adjourned at 3:40 p.m.