

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
Project Summary  
University of Florida  
Student Union Expansion Project**

**Project Description:** The J. Wayne Reitz Union (the Union”), constructed in 1967, is the community center of the University of Florida (the “University”), providing facilities, services, and programs designed to enhance the campus life experience for students and other members of the campus community. The Union offers a wide variety of activities, programs, and services including, but not limited to social and educational events for students, meeting and event facilities for students, faculty and staff, student organization offices and work spaces, dining venues, retail shops, offices, lounges, and a game room.

Due to increased student population and activities, the University is planning to expand (Phase I) and renovate<sup>1</sup> (Phase II) the Union. The University is currently only seeking financing with respect to the expansion. The Student Union Expansion Project (the “Project”) will add approximately 100,000 square feet to the Union. The new space will include offices and program space for student clubs and organizations, and offices and program space for the Department of Student Activities and Involvement, the Center for Leadership and Service, the Office of Multicultural and Diversity Affairs, and the Wellness Center. The Project will also include a new ballroom, lounges, meeting rooms and dance rehearsal studios. The estimated useful life of the new construction is 50 years.

The Project qualifies as a capital outlay project under s. 1010.62, F.S., and is included in the University’s current Master Plan.

**Facility Site Location:** The Union is located near the center of the University’s main campus in Gainesville, co-located within the Bookstore/Welcome Center/Parking Garage complex.

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<sup>1</sup> The renovation of the Union is anticipated to begin in early 2015, with completion in early 2016. The renovations will include the replacement of exterior windows and doors; restoration of exterior surfaces and structural components; replacement of electrical, plumbing and HVAC systems; updating of interior finishes and lighting; and provide a seamless transition between the existing facility and the new construction. The renovations are estimated to cost \$25 million, to be funded with \$20 million in Capital Improvement Trust Fund (“CITF”) monies and \$5 million in cash from the University. If CITF funding is unavailable the University will need to find another funding source or it will be unable to proceed with the renovations.

**Projected Start and Opening Date:**

It is anticipated that the Project will begin in July 2012 and will be completed in December 2014.

**Demand Analysis:**

Construction of the original 267,000 square foot Union building was completed in 1967 when there were 19,000 students enrolled at the University and approximately 150 student clubs and organizations. Since the Union was originally constructed, the University's student population has more than doubled to approximately 50,000 and there are over 900 registered student clubs and organizations. The expansion is necessary to provide adequate space for the increased number of activities, meetings and events that take place in the Union.

In the fall of 2009, Gould Evans Architects and WTW Architects conducted a Master Plan Study and Needs Assessment of the Union and identified several inadequacies relative to its ability and capacity to meet the current and future demands of the campus population. Suggested areas of expansion included the following: additional student organization office space, work areas and storage space; additional office and work space for student services; additional meeting rooms of various capacities and configurations; additional activity spaces, including dance rehearsal space for student dance groups; a variety of lounge spaces and study areas; and additional seating and circulation space for food services.

**Project Cost and Financing Structure:**

The Project will be financed with fixed rate bonds (the "Bonds") issued by the Division of Bond Finance in an amount not to exceed \$50 million. The Bonds are expected to have a 20 year, level debt payment structure with the first principal payment occurring in 2013. However, to provide structural flexibility to ensure that the Bonds can be issued within the \$3.5 million annual debt service limitation in Chapter 2012-134, Laws of Florida, the Resolution provides that the term of the Bonds will not exceed 30 years.

The Bonds will finance the expansion of the Union, provide approximately \$3.3 million for a debt service reserve fund (if necessary), and pay costs of issuance. The estimated Project cost is \$44.0 million, which includes \$26.1 million for construction and \$17.9 million for planning, permitting, furniture, equipment, and

other expenses. (See Attachment I for an estimated sources and uses of funds).

**Security Structure:**

The Bonds will be secured by a first lien on the revenues generated from the activity and service fee (the "Fee") assessed to all students on a per-credit hour basis pursuant to Section 1009.24(9) and (10), Florida Statutes. Section 1010.62, Florida Statutes, provides that the Fee may be used to pay and secure debt except that annual debt service may not exceed an amount equal to 5 percent of the Fees collected during the most recent 12 consecutive months for which collection information is available prior to the sale of the Bonds. Chapter 2012-134, Laws of Florida provides an exception to the debt service limitation in Section 1010.62 by permitting the University to use revenues from the Fee to secure debt with annual debt service of up to \$3.5 million to finance or refinance the renovation and expansion of the Union. There is currently no outstanding debt secured by the Fee, and it is unlikely that parity bonds will be issued in the near term because the 2012 legislation limits annual debt service to \$3.5 million and is only applicable to debt issued for the renovation and expansion of the Union.

**Pledged Revenues and Debt Service Coverage:**

During the five year period from fiscal year 2006-2007 to fiscal year 2010-2011, pledged revenues from the Fee grew from \$12.5 million to \$17.7 million. Historical pledged revenues would have provided between 3.74x and 5.30x coverage of the maximum annual debt service on the Bonds.

Currently the Fee is \$14.55 per credit hour, generating approximately \$18.9 million annually. The portion of the current Fee that will be needed to pay the maximum annual debt service on the Bonds is approximately \$2.69 per credit hour, and no Fee increase is needed in connection with the issuance of the Bonds or financing of the Project. In fiscal year 2012-2013, the first year debt service will be due on the Bonds, pledged revenues are projected at \$19.9 million, with expected coverage of 5.95x. Pledged revenues are projected to increase to \$23.0 million in fiscal year 2015-2016, with expected coverage of 6.89x.

See Attachment II for 5-years historical and 5-years projected pledged revenues and debt service coverage prepared by the University.

**Type of Sale:**

The Division of Bond Finance will make a determination to sell the Bonds through either a competitive or a negotiated sale based on market conditions and financing options available at the time of sale. It is expected that, absent extraordinary circumstances, the Bonds will be sold via competitive sale.

**Analysis and  
Recommendation:**

Staffs of the Board of Governors and the Division of Bond Finance have reviewed the information provided by the University with respect to the request for Board of Governors approval for the subject financing. Projections provided by the University indicate that sufficient revenues will be generated from the Fee to pay debt service on the Bonds. It appears that the proposed financing is in compliance with the Florida Statutes governing the issuance of university debt and the Board of Governors' Debt Management Guidelines. Accordingly, staff of the Board of Governors recommends adoption of the resolution authorizing the proposed financing.