



THE FLORIDA STATE UNIVERSITY
OFFICE OF THE SENIOR VICE PRESIDENT
FOR FINANCE & ADMINISTRATION

MEMORANDUM

TO: President Eric J. Barron

FROM: David Coburn *DC*

DATE: March 7, 2013

SUBJECT: Authority for Student-Athlete Housing Project & Related Financing
Request for Approval

Seminole Boosters, Inc. ("SBI") requests that the University Board of Trustees approve the construction of the Student-Athlete Housing Complex on existing SBI real estate. This project will be financed by incorporating a significant cash down payment of \$5.1 million (see below) and traditional bank financing on a taxable basis in the amount not to exceed \$6.5 million.

The Student-Housing Complex has been a top priority for the Department of Athletics and, particularly, for Head Football Coach Jimbo Fisher. SBI has recognized the need for renovated and new housing for students in general and, more specifically, for the athletic department's student-athletes. Currently, those student-athletes are paying rent to private parties and are housed throughout the City of Tallahassee. This facility is needed in order to house these student-athletes in a more central location, as well as to provide significant recruiting benefits. The Athletic Administration will have closer contact with these student-athletes, thus helping promote their educational and athletic goals.

SBI has closed a 42-year ground lease that generated \$5.1 million, which the SBI Board has designated to be used as a cash down payment on this project. The University Board of Trustees previously reviewed and approved this project and the lease at the October, 2012 meeting.

Subsequent to that meeting, the construction financing arrangements fell through and SBI was left with no other option but to seek other financing partners. As a result of a competitive RFP process, the Boosters have selected a new financing partner. The terms of the loan are a taxable fixed-rate loan of 3.25% amortized over a 25-year period, with a 7-year "Put Option" under which the bank and SBI can renegotiate the interest rate.

Additionally, the question of Board of Governors ("BOG") approval was raised, and after several months and many discussions, the BOG staff now believes that BOG approval is needed for this project to go forward as proposed. (This is a reversal of the previous position in which BOG staff stated that this project met the exception for BOG approval and could proceed without such approval being required.)

Authority for Student-Athlete Housing Project & Related Financing

March 7, 2013

Page Two

The decision to come forward for the final time was not made without significant consideration as to whether this project would generate enough income to be self-sustaining. SBI financial projections indicate that the complex will generate approximately \$475,000 after debt service, which will be used to fund a debt and maintenance reserve as required by the Board of Governors Debt Management Guidelines. SBI anticipates that the debt may be extinguished in full by 2022, a significantly shorter period than that of the term of the loan. There is no prepayment penalty associated with this loan.

After careful consideration of these facts and the data presented by SBI, I recommend this project go to the University Board of Trustees for their consideration and approval.

DC/mb