Public-Private Partnerships

Board of Trustees Finance & Audit Workgroup
February 28, 2013
I. University’s Strategic Plan

II. Background

III. Benefits / Constraints

IV. Replace Andros 50-Year Old Buildings

V. Considerations

VI. Housing System Pro Forma
Goal 1.13 – “Increase the percentage of degree-seeking undergraduates living on campus in institutionally-owned, controlled or affiliated housing”

– from 16% (actual) in 2012, to 20% in 2013, to 25% in 2014, including on-campus and affiliated housing

Carnegie classification – 25 - 49% of degree-seeking undergraduates living on campus in institutionally-owned, operated, or affiliated housing and at least 50% attend full time
Background – Tampa Housing

- USF Owned, Financed, Constructed, Managed and Maintained $250 Mil System
  - Tampa: 5483 beds – 20 buildings
    - Most recent projects:
      - 2009 – 1050 beds (Juniper/Poplar)
      - 2008 – Marshall Student Center
      - 2004 – 598 beds (Cypress)
  - St. Petersburg: 547 beds – 2 buildings
    - Most recent projects:
      - 2012 – 196 beds, plus USFSP Student Center
      - 2007 – 351 beds (Residence Hall One), plus 1167 space parking garage
  - Ground leased University land, gross revenue pledge, public bonds, “A1 / A” Moody’s and S&P ratings
  - Low financing costs – strong financing structure, public purpose, tax-exempt, attractive ratings
  - Campus management of student housing contracts, resident life programs, building maintenance and capital project reserves, bond compliance, and compliance with University codes and standards
Background – PPP

- Private Partnership Owned, Financed, Constructed, Managed and Maintained System
  
  - A facility or project that serves a public purpose on Campus
  
  - Ownership by a responsible private entity – Project will be conveyed to the University upon completion or termination of the agreement and payment of amounts financed
  
  - Contractual safeguards in place to ensure that the “at-risk” private project serves the public purpose, additional costs or service disruptions are not imposed on the public, ensures compliance with University requirements for operations, Campus codes and standards, provides for material default or cancellation, and provides for assumption or transfer of the property to the University
  
  - Ground leased University land, comprehensive agreement, private capital
  
  - Higher capital costs – contractual requirement for strong performance commitments
  
  - Private partnership responsibilities for project development, operations, building maintenance and reserves, and compliance with University codes and standards
Benefits / Constraints

- **USF Owned Housing System**
  - Successful development of 6000 beds and student centers on two USF Campuses
  - Low cost / low risk financing
  - Dependent upon student demand for on-campus housing
  - Dependent upon campus management of operating costs, maintenance, reserves, and debt capacity for new development

- **Private Partnership Owned Housing System**
  - Successful development and long-term ownership of large-scale student housing and related retail and parking facilities on university campuses across the U.S.
  - Higher cost / higher risk financing
  - Dependent upon student demand for on-campus housing
  - Dependent upon private partnership’s management of operating costs, maintenance and reserves for the term of the agreement
  - Potential for strategic development of “at-risk” projects
  - Potential for national expertise in facility management / maintenance
Replace Andros 50-Year Old Buildings

- Tampa Housing System
  - No debt capacity today
  - Debt capacity for $31 Mil 400-bed Andros replacement project not likely for 5 years due to high operating costs
  - Must phase-in transition of 1050 existing Andros residents, and $7 Mil of Andros revenue, to replacement Andros housing with new financing costs
  - The University ground leased all Housing System land, properties and revenues to the USF Property Corporation / Financing Corporation for the benefit of bondholders
  - Financing Corporation and the University, as manager, have the power to declare the Andros facilities obsolete and close them
  - Financing Corporation and the University can develop Andros replacement facilities on Andros leased land or new leased land, subject to existing parity bond requirements
Replace Andros 50-Year Old Buildings

- Private Partnership
  - Partnership must be selected via competitive, qualifications-based process – ITN
  - Campus development land must be appraised by nationally recognized third party expert
  - Existing Andros ground lease can be released to Private Partnership by:
    1. Refunding the 2005A bonds – callable in 2015 – without consent of bondholders, or
    2. Confirmation of ratings on 2005A bonds by Moody’s / S&P (or from Ambac, who provided the insurance policy)
  - Moody’s / S&P confirmation will be based on financial commitments from Private Partnership under Andros sub-ground lease from Property Corporation to maintain existing Housing System bond ratings
  - Moody’s / S&P confirmation requirements could also be supported through additional campus land leased to Property Corporation and then to Private Partnership for benefit of Housing System bondholders and existing ratings
Public-Private Partnerships (PPPs)

Considerations

- **Timing**
  - PPP - Strategic development in multiple phases with multiple types of facilities
  - Tampa Housing - Protracted development constrained by debt capacity

- **Development Cost / Quality**
  - PPP - Facilities developed to USF standards, subject to USF codes and permitting
    * Expert third party monitoring of designs, construction contracts, subcontractors, and construction programs and processes
  - Tampa Housing - Similar, but “in-house” processes

- **Operating Costs / Risk**
  - PPP - Commitment to 50-year Comprehensive Concession Agreement, including referral agreement, maintenance / custodial, funding lifecycle costs, revenue sharing, limited distributions to Partners, Campus compliance, rights / restrictions, commitment to Andros Housing System bondholders, provide beds and classrooms for residence life programs, employ student RAs
  - Tampa Housing - Similar, but added costs for Academic Initiatives
Considerations

- **Development Program**
  
  - PPP - Strategic development in phases for possible 3500 beds subject to contractual restraints on “competitive housing” for Tampa Housing System
    
    - Andros replacement housing subject to consent from rating agencies
  
  - Tampa Housing - Protracted development due to lack of debt capacity
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Recommendation:

To Meet USF Strategic Plan Goals, Recommend Moving Forward with Public-Private Partnership to Demolish and Replace Andros 1050 Beds and Potentially Construct Additional 2500 Beds in New Facilities.
## Public-Private Partnerships (PPPs)

### Housing System Pro Forma

**USF Financing Corporation**

**USF Housing System**

**Historical and Budgeted Debt Service Coverage (1) 2/28/2013**

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<tr>
<td><strong>Total Pledged Housing System Revenues</strong></td>
<td>21,183,933</td>
<td>24,818,340</td>
<td>26,436,002</td>
<td>29,301,655</td>
<td>35,736,932</td>
<td>39,743,572</td>
<td>39,994,778</td>
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**Annual Debt Service - Housing System:**

- **COPs - Series 2005A**
- **COPs - Series 2008**
- **COPs - Series 2009C**
- **COPs - Series 2009C**
- **COPs - Series 2007**
- **COPs - Series 2010A (3)**
- **COPs - Series 2010B (5)**
- **COPs - Series 2012A (5)**
- **COPs - Series 2012B (6)**

**Total Housing System Debt Service**

|                              | 6,999,163   | 8,032,133  | 10,113,388 | 10,370,420 | 13,909,235 | 14,112,820 | 13,988,394 |

**Annual Debt Service - Operating System:**

- **Tampa Housing (2)**
- **St. Petersburg Housing (3)**
- **St. Petersburg Parking (3)**
- **St. Petersburg New Housing (3)**

**Total Operating System Expenses**

|                              | 11,754,330  | 15,422,514 | 14,094,767 | 13,273,505 | 14,800,707 | 15,429,681 | 17,492,340 |

**Operating Income (Loss)**

|                              | 9,429,603   | 11,395,826 | 12,531,855 | 16,038,099 | 19,761,975 | 24,313,691 | 22,502,438 |

**Add: Interest Income**

|                              | 543,766     | 708,299    | 632,248    | 335,120    | 33,815     | 57,217     | 29,924     |

**Projected Net Income**

|                              | $9,973,369  | $12,104,065 | $12,964,083 | $16,360,219 | $19,950,310 | $24,371,680 | $22,352,392 |

**Annual Debt Service - Total Housing System**

|                              | 1.45x       | 1.51x       | 1.28x       | 1.58x       | 1.43x       | 1.73x       | 1.61x       |

**Annual Debt Service - Total Operating System**

|                              | 1.52x       | 1.52x       | 1.42x       | 1.77x       | 1.46x       | 1.81x       | 1.64x       |

**Tampa Housing Debt Capacity**

|                              | $15,200,000 | $18,800,000 | $13,600,000 | $40,000,000 | $60,200,000 | $70,500,000 | $46,900,000 |

|                              | $6,300,000  | $7,900,000  | $13,800,000 | $19,500,000 | $25,300,000 | $31,300,000 | $37,600,000 |

|                              | $44,000,000 | $31,300,000 | $37,600,000 | $44,000,000 | $51,300,000 | $57,600,000 | $64,000,000 |

|                              | 1.24x       | 1.25x       | 1.33x       | 1.34x       | 1.33x       | 1.40x       | 1.44x       | 1.40x       |