

**Northwest Florida State College Foundation
Special Finance Committee Meeting**

Tuesday, May 19, 2023 at 8:00 AM
Room 308, Building 400
Niceville Campus

AGENDA

- I. Call to Order
- II. Public Comments
- III. Foundation Support for Raider Village
- IV. Adjourn

MEMORANDUM

TO: NWFSC Foundation Finance Committee

FROM: Chris Stowers, Executive Director

DATE: May 19, 2023

SUBJECT: Foundation Support for Raider Village

This meeting follows a May 16 Special Meeting of the Foundation Finance Committee at which the Committee reviewed the background of the Raider Village project and discussed whether the Committee may be interested in recommending participating in the project as a lender to the full Foundation Board. At the May 16 meeting, the Finance Committee voted to express their “general support” of “the long-term option,” which would make the Foundation the only lender on the project in first lien holding position, and directed staff to negotiate further with The Jay Odom Group. Specifically, the Finance Committee proposed a loan structure with 30% equity from the developer and 70% loan from the Foundation. The following memo sets out the result of further negotiation with the developer.

Following months of development work and discussions with the College to make Raider Village a reality, The Jay Odom Group requested a loan from the Foundation to meet the quickly approaching August 2024 deadline for the completion of student housing. The developer proposed two versions of the Foundation’s involvement: a 35% project cost loan with a 4-year term at 7% interest or an 80% of project cost loan with a 7-year term also at 7% interest.

After further discussion with the developer following the May 16 meeting, their position remains an 80% loan to cost from the Foundation, with 20% equity from the developer, at 7% fixed interest. They have requested 3 years interest only and an additional 5 years of principal and interest. The 5 years of principal and interest payment will be made at a rate amortized over 30 years, with a balloon payment of the remaining principal and interest due at the conclusion of the loan. The terms still include no pre-payment penalty.

A fee of 0.5% of the loan has been added to the terms. The 20% equity will be spent first before any Foundation money is drawn upon. The developer has also agreed to a 10% liquidity covenant, which would be held in a bank of the developer’s choice, is not tied or collateralized to the loan, can be in an interest bearing account, and which the Foundation can account for quarterly.

The developer has proposed breaking down the 20% equity as follows: 3% of total project cost as a developer fee not taken by the developer but instead contributed toward the equity requirement; money spent to date on the project (architecture, engineering, testing, etc.; final accounting to be provided prior to closing); and then further developer cash investment will continue on the project and construction until they have exhausted the 20% requirement. At that time the Foundation money will start to be drawn from.

The developer has also included an interest reserve of \$425,000 which they will request to include in the total project cost but will not use as equity; the Foundation would not be the lender on the interest reserve. The developer will draw upon their interest reserve as needed once the Foundation draw period begins (after the 20% equity requirement is exhausted). As discussions continue ahead of the Finance Committee meeting, staff anticipates having further detail on the proposed developer fee and interest reserve.

Finally, the developer has committed that, if they receive a loan commitment, they will continue to progress forward with planning and permitting to start construction in June to meet the August 2024 deadline. They do not request to have closed the loan to spend developer money to begin construction.

To support the Committee's consideration of this item, an updated term sheet, a summary of the financial due diligence materials received from the developer, amortization schedule, and summary of equity terms are in your packet along with the additional supporting materials from the prior meeting.

REQUEST FOR DISCUSSION:

Based on the outcome further discussion with the developer, is the Finance Committee willing to move forward with a recommendation of any loan structure to the full Foundation Board?

NWFSC - Jay Odom Group Raider Village Financial Terms**Foundation-Developer Loan Proposed Terms****Long Term Loan**

Term:	8 years
Payment Schedule:	36 months interest only; principal payments plus interest begin in month 37 and continue through month 95; remaining principal and interest repaid in full in month 96. Payment amount is calculated on a 30-year amortization schedule.
% of Project Cost:	80% (Not to exceed \$12M)
Equity:	20%
Interest:	7%
Pre-Payment Penalty:	None
Lien Position	Foundation holds first mortgage

Basic Phase One Structure

Phase 1	3 stories, 54 units, 12 2B, 42 4B, 192 beds, central common areas
Phase 1 Project Cost (Includes Phase 2 Parking)	\$12-15M
Ad Valorem Taxes	Developer will seek full exemption in partnership with the College. The student rent rates assume no ad valorem taxes.
2B Student Rent Rate	\$970/bed/month
4B Student Rent Rate	\$895/bed/month
Student lease term	12 months
Included in rent	Utilities, internet, trash, furnishings

Student Rent Increases	Up to 5% annually with a 5-year mark to market, not tied to the debt service ratio, and annually presented to the College with rationale.
Removing Ineligible Residents	Ineligible residents (e.g., those who are expelled, suspended, barred from entering College property, lost scholarship, or otherwise withdrawn) will be removed from Raider Village. Rent is still owed and collectible from student and/or co-signor. There must be a mechanism by which the College can preserve any upfront paid scholarship dollars for a removed resident.

NWFSC-Developer Ground Lease

Ground Lease Rent	\$50K annually for Phase 1 beginning at substantial completion; and \$25K annually for Phase 2, beginning at Phase 2 construction (which we anticipate as early as stabilization on Phase 1 [24 months with 90% occupancy]) but no later than 5 years from stabilization of Phase 1 regardless of status on Phase 2.
Ground Lease Rent Increases	10% every 5 years (with a mark to market as frequently as student rent experiences mark to market)
Ground Rent Term	75 years
Additional Property and Preference	The developer has the exclusive right to develop student housing on the alternate student housing site on the Niceville Campus for 10 years from the ground lease start date, if the College chooses to develop student housing on that site. Developer will pay \$10K rent annually from start date of ground lease. College may at any time at its discretion cancel this portion of the lease by notifying the developer that the College will use the site for a different purpose. Lease concludes at 10-year mark. The developer will also receive a preference in solicitations for any other student housing development on the Niceville campus.
Buyout	College (or its direct support organization(s)) may buy out developer starting seven years following stabilization (90% occupancy). The purchase price would be the then fair market value based on appraisals obtained by each of the parties. College receives right of first refusal on offers from qualified purchasers decision window described in Section 15.3.

Long-Term Foundation Loan Projected Amortization Schedule

12,000,000.00 principal
36.00 months interest only
60.00 months P&I; amortized 360 months
7% interest

Month	Principal	Interest	Total	Balance
1	-	70,000.00	70,000.00	12,000,000.00
2	-	70,000.00	70,000.00	12,000,000.00
3	-	70,000.00	70,000.00	12,000,000.00
4	-	70,000.00	70,000.00	12,000,000.00
5	-	70,000.00	70,000.00	12,000,000.00
6	-	70,000.00	70,000.00	12,000,000.00
7	-	70,000.00	70,000.00	12,000,000.00
8	-	70,000.00	70,000.00	12,000,000.00
9	-	70,000.00	70,000.00	12,000,000.00
10	-	70,000.00	70,000.00	12,000,000.00
11	-	70,000.00	70,000.00	12,000,000.00
12	-	70,000.00	70,000.00	12,000,000.00
13	-	70,000.00	70,000.00	12,000,000.00
14	-	70,000.00	70,000.00	12,000,000.00
15	-	70,000.00	70,000.00	12,000,000.00
16	-	70,000.00	70,000.00	12,000,000.00
17	-	70,000.00	70,000.00	12,000,000.00
18	-	70,000.00	70,000.00	12,000,000.00
19	-	70,000.00	70,000.00	12,000,000.00
20	-	70,000.00	70,000.00	12,000,000.00
21	-	70,000.00	70,000.00	12,000,000.00
22	-	70,000.00	70,000.00	12,000,000.00
23	-	70,000.00	70,000.00	12,000,000.00
24	-	70,000.00	70,000.00	12,000,000.00
25	-	70,000.00	70,000.00	12,000,000.00
26	-	70,000.00	70,000.00	12,000,000.00
27	-	70,000.00	70,000.00	12,000,000.00
28	-	70,000.00	70,000.00	12,000,000.00
29	-	70,000.00	70,000.00	12,000,000.00
30	-	70,000.00	70,000.00	12,000,000.00
31	-	70,000.00	70,000.00	12,000,000.00
32	-	70,000.00	70,000.00	12,000,000.00
33	-	70,000.00	70,000.00	12,000,000.00
34	-	70,000.00	70,000.00	12,000,000.00
35	-	70,000.00	70,000.00	12,000,000.00
36	-	70,000.00	70,000.00	12,000,000.00
37	9,836.30	70,000.00	79,836.30	11,990,163.70
38	9,893.68	69,942.62	79,836.30	11,980,270.02
39	9,951.39	69,884.91	79,836.30	11,970,318.63
40	10,009.44	69,826.86	79,836.30	11,960,309.19
41	10,067.83	69,768.47	79,836.30	11,950,241.36
42	10,126.56	69,709.74	79,836.30	11,940,114.80
43	10,185.63	69,650.67	79,836.30	11,929,929.17
44	10,245.05	69,591.25	79,836.30	11,919,684.12
45	10,304.81	69,531.49	79,836.30	11,909,379.31
46	10,364.92	69,471.38	79,836.30	11,899,014.39
47	10,425.38	69,410.92	79,836.30	11,888,589.01
48	10,486.20	69,350.10	79,836.30	11,878,102.81

Jay Odom - Global Analysis

Short-Term Liabilities Due	2,455,345
Long-Term Liabilities Outstanding	48,035,547
Total Combined Business Revenue	23,661,140
Total Combined Business Expense	13,146,269
Total Net Profit (Loss)	10,514,871
Business Cash on Hand	20,170,518
Personal Cash on Hand	22,185,902
Total Business Equity Held	115,398,492
Total Personal Assets (Cash-22,185,902; Property-2,570,963)	24,756,865
Total Combined Global Net Worth (net of long-term liability obligations)	140,155,357

Cash Flows and Debt Coverage (Student Housing Revenue Only)

Worst Case: Occupancy calculated by assuming 10% of 2B vacant and 10% of 4B vacant)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$ 1,875,312.00	1,931,571.36	1,989,518.50	2,049,204.06	
Total Operating costs	850,000.00	875,500.00	901,765.00	928,817.95	
Net Income	1,025,312.00	1,056,071.36	1,087,753.50	1,120,386.11	
Loan Pmt - Foundation	840,000.00	840,000.00	840,000.00	958,035.60	958,035.60
Cash Flows		185,312.00	216,071.36	129,717.90	162,350.51

Debt Coverage Ratio: 1.2 is standard	1.22	1.26	1.14	1.17
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Moderate: Occupancy calculated by assuming 5% of 2B vacant and 5% of 4B vacant)

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$ 1,979,496.00	\$ 2,038,880.88	\$ 2,100,047.31	\$ 2,163,048.73	
Total Operating costs	850,000.00	875,500.00	901,765.00	928,817.95	
Net Income	1,129,496.00	1,163,380.88	1,198,282.31	1,234,230.78	
Loan Pmt - Foundation	840,000.00	840,000.00	840,000.00	958,035.60	958,035.60
Cash Flows		289,496.00	323,380.88	240,246.71	276,195.18

Debt Coverage Ratio: 1.2 is standard	1.34	1.38	1.25	1.29
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Best Case: Fully Occupied

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues	\$ 2,083,680.00	\$ 2,146,190.40	\$ 2,210,576.11	\$ 2,276,893.40	
Total Operating costs	850,000.00	875,500.00	901,765.00	928,817.95	
Net Income	1,233,680.00	1,270,690.40	1,308,811.11	1,348,075.45	
Loan Pmt - Foundation	840,000.00	840,000.00	840,000.00	958,035.60	958,035.60
Cash Flows		393,680.00	430,690.40	350,775.51	390,039.85

Debt Coverage Ratio: 1.2 is standard	1.47	1.51	1.37	1.41
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Sources of Equity Funds (20% - \$3,000,000)

Developer's prior expenses incurred on project (design fees, temporary model built, etc.)	250,000
Developer's fee	450,000
Cash	2,300,000.00

49	10,547.37	69,288.93	79,836.30	11,867,555.45
50	10,608.89	69,227.41	79,836.30	11,856,946.55
51	10,670.78	69,165.52	79,836.30	11,846,275.78
52	10,733.02	69,103.28	79,836.30	11,835,542.75
53	10,795.63	69,040.67	79,836.30	11,824,747.12
54	10,858.61	68,977.69	79,836.30	11,813,888.51
55	10,921.95	68,914.35	79,836.30	11,802,966.56
56	10,985.66	68,850.64	79,836.30	11,791,980.90
57	11,049.74	68,786.56	79,836.30	11,780,931.15
58	11,114.20	68,722.10	79,836.30	11,769,816.95
59	11,179.03	68,657.27	79,836.30	11,758,637.92
60	11,244.25	68,592.05	79,836.30	11,747,393.67
61	11,309.84	68,526.46	79,836.30	11,736,083.83
62	11,375.81	68,460.49	79,836.30	11,724,708.02
63	11,442.17	68,394.13	79,836.30	11,713,265.85
64	11,508.92	68,327.38	79,836.30	11,701,756.94
65	11,576.05	68,260.25	79,836.30	11,690,180.88
66	11,643.58	68,192.72	79,836.30	11,678,537.31
67	11,711.50	68,124.80	79,836.30	11,666,825.81
68	11,779.82	68,056.48	79,836.30	11,655,045.99
69	11,848.53	67,987.77	79,836.30	11,643,197.46
70	11,917.65	67,918.65	79,836.30	11,631,279.81
71	11,987.17	67,849.13	79,836.30	11,619,292.64
72	12,057.09	67,779.21	79,836.30	11,607,235.55
73	12,127.43	67,708.87	79,836.30	11,595,108.13
74	12,198.17	67,638.13	79,836.30	11,582,909.96
75	12,269.33	67,566.97	79,836.30	11,570,640.63
76	12,340.90	67,495.40	79,836.30	11,558,299.73
77	12,412.88	67,423.42	79,836.30	11,545,886.85
78	12,485.29	67,351.01	79,836.30	11,533,401.56
79	12,558.12	67,278.18	79,836.30	11,520,843.43
80	12,631.38	67,204.92	79,836.30	11,508,212.05
81	12,705.06	67,131.24	79,836.30	11,495,506.99
82	12,779.18	67,057.12	79,836.30	11,482,727.81
83	12,853.72	66,982.58	79,836.30	11,469,874.09
84	12,928.70	66,907.60	79,836.30	11,456,945.39
85	13,004.12	66,832.18	79,836.30	11,443,941.27
86	13,079.98	66,756.32	79,836.30	11,430,861.30
87	13,156.28	66,680.02	79,836.30	11,417,705.02
88	13,233.02	66,603.28	79,836.30	11,404,472.00
89	13,310.21	66,526.09	79,836.30	11,391,161.79
90	13,387.86	66,448.44	79,836.30	11,377,773.93
91	13,465.95	66,370.35	79,836.30	11,364,307.98
92	13,544.50	66,291.80	79,836.30	11,350,763.47
93	13,623.51	66,212.79	79,836.30	11,337,139.96
94	13,702.98	66,133.32	79,836.30	11,323,436.98
95	13,782.92	66,053.38	79,836.30	11,309,654.06
96	11,309,654.06	65,972.98	11,375,627.04	-
Total Return:		18,605,968.74		
Gain:		6,605,968.74		

***Liquidity Covenant - 10% of project cost (\$1,500,000)