Florida Gulf Coast University Board of Trustees  
January 18, 2011

SUBJECT: 2011-2012 Student Housing Rental Rates for West Lake Village

PROPOSED BOARD ACTION

Approve a modification of certain housing rental rates which would increase rates to provide adequate debt coverage ratios, maintenance of aging facilities and opportunities for future growth.

Approve student housing semester rental rates of $2,700 for single bedroom occupancy, West Lake Village. Rates for existing on-campus housing will remain the same at North Lake Village and South Village.

BACKGROUND INFORMATION

In an effort to maintain adequate debt coverage, maintenance of existing facilities and provide for future growth, the Office of Housing & Residence Life along with the Financing Corporation recommends an increase in rental rates at West Lake Village only. Having only recently assumed operations at West Lake Village, management is working through continuing and deferred maintenance costs. At $2,700 per person per semester, this represents a cost to students which is less than comparable on-campus housing.

This proposed rate increase has been presented to the Resident Housing Association (an elected body representing the students who live in on-campus housing).

Supporting Documentation Included: Rental Rate Proposal for On-Campus Accommodations for 2011-2012.

Prepared by: FGCU Financing Corporation Executive Director Curtis Bullock, and Director of Housing Brian Fisher

Legal Review by: General Counsel Vee Leonard (December 6, 2010)

Submitted by: Vice President for Administrative Services and Finance Joe Shepard
Overview
Florida Gulf Coast University currently provides on-campus accommodations for students in apartment-style and suite-style residence halls. The operational and programmatic mission of the Office of Housing & Residence Life (OHRL) is to provide students comfortable, safe, environmentally conscious and well-maintained living environments that support academic endeavors and personal growth. In order to meet this mission, the financial, organizational, and operational aspects of the unit must be regularly reviewed to ensure adequate resources are available.

Housing capacity at FGCU has increased dramatically in the past year. Palmetto Hall will open this upcoming Fall (415 beds) and will increase capacity to 1227 residents in South Village. A 1200 space parking garage is included in this construction project. The university also purchased a 504 bed facility off campus now known as West Lake Village (College Club Apartments) in 2010. This has created a third site and a new housing option for FGCU students. Total capacity for Fall 2011 will be approximately 3678 beds. This reflects a 30% increase in total inventory in one year. Debt service for the total operation is significant and continues to grow. Current outstanding housing debt now exceeds 145 million dollars. This is an increase of approximately 50% in one year.

Future Construction
The South Village master plan calls for approximately 3,300 residents. It is anticipated that there will be at least four more housing projects of approximately 2100 beds to construct in South Village. Debt for these future housing facilities will likely exceed 110 million dollars. The costs for the facilities in South Village are much higher than North Lake Village and West Lake Village. The facilities have been very well received and student satisfaction is significantly higher in these facilities as compared to North Lake Village. However, continuing to construct more facilities like the first three in South Village will put more strain on the long-term financial health of the organization. The master plan in South Village also calls for a 2nd parking garage. Financing for the second parking garage will present challenges that may impact timing and delivery for future housing facilities for South Village. The future health and viability of the organization to manage this expected additional debt is contingent upon many variables. Many of these factors are considered in the next paragraphs.

Considerations
First, student demand will drive revenues. Student satisfaction with the housing program is essential for long term success. Satisfaction remains very high but residents have already questioned the value of the on-campus housing program. This can be seen in data collected in our most recent student satisfaction survey. Generating adequate summer revenue is a growing concern as the entire housing inventory grows. The more revenue that can be generated in the summer will allow for more flexibility in rental rates during the academic year. In a few years, we will have thousands of beds that are empty for 3 months if we cannot substantially enhance our summer business. Staffing patterns, business practices, and operational protocols need to be
evaluated frequently as the organization continues to grow at such a rapid pace. Additional operational efficiencies are being realized in South Village as the Central Energy Plant is being used more efficiently. The addition of solar panels on Everglades Hall has also reduced utility costs in South Village. Staffing decisions have been considered carefully and benchmarked against several other similar institutions in the state of Florida. Also, maintenance of the physical facilities will be especially important in the coming years as the facilities age. This is especially important in the earlier phases of North Lake Village. Capital costs have grown considerably in the last two years and were the primary justification for increased rental rates at North Lake Village last year. Collectively, operating costs as a percentage of total revenue are expected to be at or near flat in the upcoming year.

There are other extenuating circumstances that warrant consideration when determining rental rates. Capacity has expanded by 30% in one year. Achieving 100% occupancy for Fall 2011 will be difficult. It will be largely dependent on current resident return rate and West Lake Village resident return rate. The latter is especially difficult to forecast. Current residents are especially sensitive to rental rate increases. Also, the number of Lee and Collier County Residents living on campus has declined in the last two years (2008 = 402, 2009 = 424, 2010 = 386). This is a concerning statistic because these students have a choice to live on campus. Our residential population increased by 406 students during this time but our 2nd largest base decreased by 16 students. Tuition is also expected to increase another 15% this upcoming year. All of these factors will have an influence on occupancy levels and subsequently revenue next year.

Rental Rate Information
The rental rates for the last five years at FGCU on-campus residence halls have increased between 4.5% - 6.5% the last 5 years. Last year, rates increased 5% at North Lake Village and remained the same at South Village. Rates have increased $670 per semester at North Lake Village in the last five years (single was $2210 in 2005 and is currently $2890).

Rental Rate Comparisons
Specific data on anticipated rate increases at other SUS institutions are still pending at this time. Proposed increases for 2011-2012 vary from 0 to 8%. Most schools expect a 3 – 4% increase in rental fees.

The off-campus housing market remains considerably less expensive than on-campus housing. This is largely due to depressed values in the rental markets throughout the Fort Myers area. Rental rates hover around $500 per month at many locations near campus. That equates to a rate of approximately $2200 per semester.

Proposed Rental Rates for 2011-2012
Responsibility for management of the on-campus housing operation lies with the staff in the Office of Housing & Residence Life. Management of debt service, the maintenance reserve, and other associated financial obligations are the responsibility of the FGCU Finance Corporation. After careful analysis of the status of the housing operation and its financial obligations, the following rental rates are proposed for the academic year 2011-2012:
With RHA fee

North Lake Village

<table>
<thead>
<tr>
<th>Type</th>
<th>Single-Occupancy</th>
<th>Double-Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedroom apartment</td>
<td>$2,875</td>
<td>$2,349</td>
</tr>
<tr>
<td>(These rates reflect a 0% increase over 2010-2011 rates)</td>
<td></td>
<td></td>
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</tbody>
</table>

South Village

<table>
<thead>
<tr>
<th>Type</th>
<th>Single-Occupancy</th>
<th>Double-Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedroom suite</td>
<td>$3,103</td>
<td>$3,211</td>
</tr>
<tr>
<td>Studio</td>
<td>$3,211</td>
<td>$3,226</td>
</tr>
<tr>
<td>Private</td>
<td>$3,317</td>
<td>$3,332</td>
</tr>
<tr>
<td>(These rates reflect a 0% increase over 2010-2011 rates)</td>
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</tbody>
</table>

West Lake Village

<table>
<thead>
<tr>
<th>Type</th>
<th>Single-Occupancy</th>
<th>Double-Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suite</td>
<td>$2700</td>
<td>$2715</td>
</tr>
<tr>
<td>Suite</td>
<td>$2700</td>
<td>$2715</td>
</tr>
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West Lake Village rates are intentionally set lower than North Lake Village for several reasons. The property is best suited for upperclassmen. The university intends to fill the property only with upperclassmen. Upperclassmen are more sensitive to price. Setting rates too high will not allow the property to fill with upperclassmen and force the university to have to put freshman at West Lake Village. This is something we strongly prefer to avoid. We feel these rates will fit well with our occupancy management plans while at the same time support all financial obligations to make the property self sufficient. If the property is at full capacity at these rental rates, we will exceed revenue projections currently forecasted in pro forma documents ($106,000 higher).

December 1, 2010