

**VIRGINIA COMMONWEALTH UNIVERSITY
REAL ESTATE FOUNDATION
STUDENT HOUSING PROJECT PARTNERSHIP**

Virginia Commonwealth University (the “University”, “VCU”) is a public research university located in Richmond, the state capitol of Virginia. It comprises 10 schools, one college, the VCU Health System, and the Inger and Walter Rice Center for Environmental Life Sciences. VCU was founded in 1838 as the medical department of Hampden-Sydney College, becoming the Medical College of Virginia (MCV) in 1854. In 1968, the General Assembly merged MCV with the Richmond Professional Institute, founded in 1917, to create Virginia Commonwealth University. Today, VCU is one of only three Doctoral Research Universities-Extensive in Virginia, as ranked by the Carnegie Foundation. Dr. Eugene P. Trani is the fourth president of VCU. Mr. Paul W. Timmreck is Senior Vice President for Finance and Administration.

VCU had a headcount of 25,001 students for fall 2000. The University is dealing with the critical issue of not enough housing for its students. The University is faced with a distinct disadvantage in not having a sufficient supply of on-campus housing for its continuing upper class students as well as incoming freshman. A partial solution was a creative, off-balance sheet financing that utilized the support and capabilities of an affiliated foundation, the Virginia Commonwealth University Real Estate Foundation (VCUREF).

The VCUREF was established in 1992 for the primary purpose of undertaking real-estate activities for the exclusive benefit of the University. The Virginia General Assembly authorized the University to undertake the building and financing of a housing project using a

unique alternative financing structure. Pursuant to the legislation, the University obtained the State Treasury Board's approval of the terms and conditions of the bonds. It was determined that the VCUREF would serve as the borrower and owner of the project. As a 501(c)(3) entity, the VCUREF is qualified to borrow on a tax-exempt basis through an appropriate issuing conduit. The bonds were issued through the Industrial Development Authority of the City of Richmond, Virginia.

Bonds in the amount of \$16,065,000 with an average life of 19.588 years and a favorable net interest cost of 5.475% were issued and delivered in December 2000. The proceeds of the bonds were used to finance the construction of 121 apartment-style units containing 396 beds for the University's students with some retail and community space on the first floor. Of the units, 77 are a four-bedroom style and 44 are a two-bedroom style. The units are fully furnished with each student having a private bedroom. There is one bathroom for every two students. All units contain a standard size clothes washer and dryer and a well-equipped kitchen.

The financing was structured to demonstrate the commitment of the University and the State of Virginia even though there is no obligation of the University, the State of Virginia or the VCUREF to pay the bonds. The University was determined that the bonds be structured in a manner that would obtain an investment grade rating. The financing is backed solely by the revenues generated from the housing project without recourse to the VCUREF or the University. The rating assigned to the bonds by Moody's Investors Service is A3; the first off-balance sheet housing financing in the nation to obtain this rating and the only A3 rated housing bonds of this type to date.

In order to alleviate construction risk, a special limited mandatory redemption was setup whereby the proceeds of the bonds were deposited in the Project Fund, to be held by the Trustee in escrow, until the construction of the project had been substantially completed and leases had been signed for at least 95% of the housing units in the project and 100% of the retail space in the project. A Treasury Loan from the State of Virginia was established to pay for construction costs until the proceeds of the bonds could be withdrawn.

To demonstrate University support, the University entered into a unique Support Agreement with the VCUREF that requires the University to treat the housing, as part of the University's student housing program, on an equal basis with University owned facilities. In addition, the University agreed to assign students to the project on a preferential basis if certain debt service coverage ratios for the project are not met. The University, under an initial 5-year contract, will provide management of the Housing. The land on which the project is constructed is being leased to the VCUREF with the University as lessor and the VCUREF as lessee. The ownership of improvements is vested in the VCUREF until termination of the Ground Lease in 2040 or sooner under certain terms of the Ground Lease.

The creativity and uniqueness of the financing structure and support of the State of Virginia, Virginia Commonwealth University and their partnership with the Virginia Commonwealth University Real Estate Foundation enabled the delivery of a successful housing project at a reasonable cost and in record time for student occupancy. Construction began in June 2000 and was completed in time for student occupancy on July 1, 2001.