

Program Information and Updates



HBCU Capital Financing Program Brought Renovation, Expansion and Big Savings to Multiple HBCUs in 2022

As the pandemic began to ease in 2022, HBCUs in Louisiana, Maryland and Tennessee tapped into the HBCU Capital Financing Program to upgrade and grow. These transactions, totaling \$180 million, eased cash flow and financed critical improvements. They are briefly summarized below.



Meharry Medical College (Nashville, TN)
\$39,750,000 New Money Loan
March 15, 2022

On March 21, 2020, Meharry Medical College submitted an application to the HBCU Capital Financing Program seeking funding for, among other things, the construction of a 126-unit apartment complex and parking facility (Living and Learning Center). This borrowing was completed in August 2020. In November 2021, RCAP began discussing with MMC the need to increase the original financing amount for the Living and Learning Center by approximately \$11.38 million. The cost of construction across the country has significantly escalated, and the Nashville market commands a premium due to robust new development and overwhelming demand for both residential and commercial space. As such, the cost of housing in Metro Nashville has increased, which is driving an increase in students who desire to live closer to the campus and the hospital. The transaction increase closed in March 2022.



Architectural rendering of new Living and Learning Center, Meharry Medical College.



Dillard University (New Orleans, LA)
\$41,000,000 New Money Loan
October 20, 2022

Dillard University is currently leasing apartments from Southern University–New Orleans to provide housing for students. The Series A 2022-8 loan will be used to finance a new student housing facility with 200 beds and allow the University to bring all housing on campus.



Fisk University (Nashville, TN)
\$34,250,000 New Money Loan
August 18, 2022

Fisk University completed a \$34.25 million borrowing through the Program in August 2022 to construct two new buildings. Transaction proceeds will finance a \$12 million, 28,000-square-foot Health Services and Training Center as well as a \$22.25 million, 300-bed student housing facility. The need for more student housing has been fueled by a 40% increase in enrollment in just four years. "With the increases in enrollment, Fisk is already at capacity, and this new living and learning center will take us one step closer to our goal of once again being a campus of 1,600-1,800 students," said Fisk President Vann Newkirk. Learn more from the University's press release: [The Fisk Future is Here.](#)

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On-Campus Visits Resume as Pandemic Winds Down

Cancellations, postponements and a challenging transition to virtual communication plagued millions of people when COVID-19 first took hold in early 2020. No place was this more true than on college campuses across the country, where administrators were faced with many difficult decisions regarding educational services and campus maintenance. In turn, the HBCU Capital Financing Program was also affected, forced to rethink its processes for successful Program participation without the benefit of site visits.

The welcome retreat of the pandemic in 2022 gradually allowed the Program to return to business as usual. Numerous colleges and universities seeking funding through the Program last year were able to open their doors to in-person visits from Program administrators to complete the necessary steps required to move forward. These included Meharry Medical College and Fisk University in Tennessee, Delaware State University, Virginia Union University, Morgan State University in Maryland, and Dillard University and Xavier University in Louisiana.

While several successful transactions were completed during the pandemic despite the many challenges, being able to see facilities, administrators and students again face-to-face was a true pleasure in 2022. Program administrators appreciated the opportunity to visit the



Architectural rendering of new classrooms at Xavier University.

sites of anticipated projects as well as those already in progress or completed as a result of past Program loans. Dining in lunchrooms on campus with students, faculty members and administrators was also a treat, as was the opportunity to discuss enrollment plans and future projects with college staff.

Howard University Forges New Path for Program Participation



For the first time since the Program's inception, Howard University expects to utilize the HBCU Capital Financing Program in 2023 to fund a significant portion of an ambitious academic building initiative. Previously unable to qualify for participation in the Program, an Act of Congress in 2022 helped clear the way for the University. Once completed, this transaction will represent the largest financing completed to date through the Program.

The Projects. The University is seeking funding to construct a new lab-intensive science, technology, engineering, and mathematics (STEM) building. The STEM Center is a significant component of the District of Columbia-approved 2020 Central Master Plan and core to the Health Sciences Corridor. As such, it will rise adjacent to the proposed Health Sciences Center. The STEM facility will also encompass the C.B. Powell (Freedmen's Hospital) building.

See a related [article from Inside Higher Education](#) for more information.

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Morgan State University (Baltimore, MD) **\$65,000,000 New Money Loan** **December 1, 2022**

To augment state and bond funding for a variety of projects campus-wide, Morgan State University recently turned once again to the HBCU Capital Financing Program. The \$65 million new money transaction, which closed in December 2022, represents the University's third loan through the Program since 2018. Proceeds from the loan will help finance renovations at residential halls and academic buildings and address deferred maintenance at several locations.

History of Creative Financing. The University has been a leader in using innovative partnerships and financing mechanisms to support its academic programs and student life facilities, including being among the first wave of institutions to use a P3 approach to the financing of student housing with the original financing of Morgan View in 2002.

Despite these efforts, however, the University's existing housing capacity cannot meet current demand, as fall 2021 enrollment boasted the largest freshman class in school history. Even with 670 new beds recently added, the University still needs to lease approximately 1,324 beds from third-party, off-campus apartments to accommodate excess demand for on-campus housing. The University also needs to replace or renovate some of its existing halls, which will create further pressure on housing supply.

To address its current housing needs, the University developed a Student Housing Master Plan, creating a long-term strategy to improve the amount and quality of its on-campus student housing inventory. As recommended by the Plan, the University plans to expand its on-campus housing capacity with the TM3 Project, further described below, which will be comprised of a tower style residence hall with a mix of semi-suites, full suites with kitchenettes and apartments.

In addition to the HBCU Capital Financing Program borrowing, another funding source for this ambitious project is the State of Maryland, which recently increased its capital budget, allocating funds to the University for a number of projects covering pipe repair, central plant improvements, security upgrades, elevators, and roofs. A third funding source is a \$110 million bond issue that was completed by the University in October 2022 through the Maryland Economic Development Corporation.

Exceptional Credit Ratings. Despite the economic volatility and uncertainty spurred by the pandemic, the University continues to amass strong financial assessments by the leading rating agencies. Following an intensive examination of the University's fiscal operations, financial position and financial trends, the University solidified an investment-grade credit rating of A1 with a Stable Outlook from Moody's Investors Service. In the Standard & Poor's credit opinion, released in the first quarter of 2022, the University received a long-term underlying A+ rating for the fifth consecutive year. These credit ratings make Morgan State University one of the highest-rated HBCUs on both the Moody's and S&P lists.

"As an institution rooted in integrity, Morgan takes very seriously its responsibility to be extraordinary stewards of the resources under its fiduciary care," said David K. Wilson, president of the University. "Despite the challenging year we've experienced due to a global pandemic, the fastidiousness of the management team that we have in place and the support received from our governing board allowed the University to remain in a positive position, achieving targeted goals. The very strong bond ratings from S&P and Moody's—two of the most respected leaders in this space—are affirmations that Morgan is not only on sound footing fiscally but is also in the best financial position in more than 30 years."

For more information, see the University's website: [Morgan State University Receives High Grades from Leading Financial Rating Agencies](#).

TM3 Project: Thurgood Marshall Hall. The University's TM3 Project will include approximately 605 beds of semi-suite, full suite and apartment style housing, reducing MSU's need to lease other off-campus beds to accommodate students. All units will be fully furnished and have high-speed Wi-Fi throughout the community. Each student will have his or her own twin-size bed, desk, desk chair, and dresser. The full suite units will feature kitchenettes with an appliance package that includes a refrigerator, microwave and sink. Apartment units will feature full kitchens with an appliance package that includes a refrigerator, oven, microwave and sink. Full suite and apartment unit living room areas will feature modern, durable furnishings, including living room seating, entertainment center and dining table with seating. Construction of the TM3 Project began in fall 2022, with a scheduled completion before the beginning of the Fall 2024 semester.

HBCUs Continue to Rely on the HBCU Capital Financing Program to Finance Upgrades and New Projects

Approximately 50% of all eligible HBCUs have used the HBCU Capital Financing Program to meet their capital needs because they know that the Program provides them the lowest cost financing option in the market. Through the Program, HBCUs have received rates on their loans ranging from less than 1.00% to 4.00%. Uniquely, unlike traditional municipal bond financings, HBCU loan proceeds can be used to facilitate advance refundings, allowing for potential future opportunities to further reduce borrowing costs. The institutions depicted to the right are among the many HBCUs that have successfully participated in the Program.

Common Questions Regarding the Program

A few of the questions we frequently hear from HBCUs are briefly addressed below. For more information, go to www.ricecapitalaccess.net to review a timeline that takes you through the process. You can also visit the Department of Education's website at www2.ed.gov/programs/hbcucapfinance/faq.html to learn more.

Who is eligible to apply?

Any accredited HBCU in good standing that was established prior to 1964 whose principal mission is the education of Black Americans is eligible to apply.

How large can the loan be?

Loans are typically \$10-20 million but can exceed \$150 million.

Can my school get a better rate in the tax-exempt market?

It is sometimes possible to get better rates in the tax-exempt market if the HBCU has an investment grade credit rating. In either scenario, it is important to look beyond the interest rate and at the total cost of borrowing.

Can my school refinance high-interest loans for projects and equipment?

Yes, at an interest rate that approximates the U.S. Treasury rate.

After my school submits the preliminary application, what's next?

If your application is approved, transaction calls will begin to pave the way toward closing. All parties involved will receive a list of items needed to close the transaction. If your application is not approved, you will receive a letter explaining why and possible steps the school can take to receive an affirmative decision.

How long does it take to fund the loan?

After we receive the required financial and project documentation, it takes approximately two to three months to process the loan, although the Program has closed loans in as quickly as six weeks. The timeframe depends on the school's ability to provide the required documents and the level of negotiations involved in the loan transaction.



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