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Luxury Dorm Financed With Muni Bonds Falls Into Bankruptcy.

- **Trustee plans to make June debt payment from reserves**
- **Housing project included swimming pool, scooter parking spots**

The operator of a student housing complex built for University of Florida students fell into bankruptcy, the latest municipal-bond financed project in fiscal crisis amid the coronavirus fallout.

Midtown Campus Properties LLC sold $78 million in unrated taxable municipal bonds in 2019 for the 310-unit facility in Gainesville, Florida. The mixed-use complex, whose website promises an “elite” experience for students, was set to include parking spaces for scooters, a resort-style swimming pool, fitness center and arcade with one-bedroom apartments renting for $1,380 per month, bond documents show. Instead, the operator filed for Chapter 11 last week, less than 16 months after selling bonds.

It’s the latest muni-bond financed project that’s fallen into distress after being sold at the height of buyers’ interest in risky investments that offered higher yields. BlackRock Inc. said in a report last week that student dorms are among the areas in the $3.9 trillion state and local government debt market that are vulnerable to the economic impacts of the coronavirus.

The economic shutdown to stem the spread of the pandemic has pressured states, cities, hospitals and others that routinely borrow in the municipal-bond market. State and local bonds have lost 0.6% this year, headed for their first loss since 2013, according to the Bloomberg Barclays index. But the high-yield muni market, where the riskiest projects raise funds, has been particularly hard hit. High-yield munis have lost 9% this year, on track for their biggest drop since 2008.

Midtown Campus Properties LLC filed for Chapter 11 bankruptcy on May 8 in the U.S. Bankruptcy Court for the Southern District of Florida, listing liabilities between $50 million and $100 million. In a regulatory filing on May 11, trustee U.S. Bank said part of an upcoming June debt payment on the muni bonds would be made from reserves.

Oscar Roger, chief executive officer of the Roger Development Group, the Florida real estate company managing the project, said construction will continue on the student housing complex, which is 30% leased and 90% completed.

“This decision to file bankruptcy was reached after carefully evaluating various options and was caused by several factors, including general contractor delays and labor shortages, and most recently, business and University of Florida campus closures from COVID-19,” he said in an emailed statement.

Other student housing projects financed in the muni market are facing financial woes after universities sent students home and refunded their room and board costs. The University of Florida dorm project, which was still getting off the ground, reported construction delays from the pandemic, as well as weather and labor issues, according to regulatory filings.

The unrated bonds were sold to qualified institutional buyers only and priced to yield 7% in 2038.

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