TimHaahs ENGINEERS ARCHITECTS

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February 22, 2013

Dr. Kenneth Jessell
Senior Vice President and Chief Financial Officer
Florida International University
11800 SW 8th Avenue
Miami, FL 33199

RE: PG6 Feasibility Analysis
Florida International University
Miami, FL

Dear Mr. Jessell:

Timothy Haahs & Associates, Inc. (TimHaahs) is pleased to provide you with our report summarizing our research and findings on the feasibility of constructing proposed "Parking Garage 6" (PG 6) under multiple scenarios, including a public/private partnership (P3) development model.

Objective

Florida International University (FIU) has retained Timothy Haahs & Associates, Inc. (TimHaahs) to conduct a parking garage financial feasibility study to evaluate the opportunities to develop the proposed Parking Garage 6 (PG 6) on its main campus – the Modesto A. Maidique Campus (MMC) in West Miami-Dade County. The proposed parking facility is required to support the continuing growth of the University, and in particular the MMC.

This study is being conducted as a result of the recent inquiry by Florida Governor Rick Scott regarding the potential options for private development firms to develop off-campus parking structures serving the state's public universities. For this study, TimHaahs has evaluated numerous scenarios comparing the financial and logistical feasibility of developing the new PG6. These scenarios include the following:

- Option 1: FIU Funded and Operated Garage On Campus
- Option 2: Developer Funded and Operated Garage On Campus
- Option 2A: Developer Funded and Operated Garage On Campus (with Ground Lease)
- Option 3: Developer Funded and Operated Garage Off Campus

Throughout this report, TimHaahs has provided the University with a comprehensive assessment of each of these options, outlining the specific financing structure, and our analysis regarding the feasibility of each option. It is our belief that as a result of this assessment, the University will be able to make the most informed and reasonable decision regarding this project and take appropriate steps toward the planning and development of this new mixed-use parking facility.

Background

FIU includes more than 50,000 students across its two main campuses – Modesto A. Maidique Campus in West Miami-Dade County, and Biscayne Bay Campus in North Miami Beach – as well as various smaller instructional sites throughout South Florida. FIU also includes more than 5,100 full-time and part-time faculty and staff.

Parking at FIU currently consists of 14,628 spaces across five parking facilities (on the Modesto A. Maidique Campus) and various parking lots. These parking areas serve 39,556 students with parking permits, 4,272 employees with parking permits, and numerous visitors. Of the total parking spaces, 10,260 are available for students and 3,012 are available for faculty and staff, with the remaining spaces incorporating service vehicle spaces, visitor lot spaces, metered spaces and loading zones.

University-wide, the current ratio of parking decal holders to students is one space for every 3.9 decals, and one space for every 1.4 faculty and staff decals. At the MMC campus, this ratio is currently one parking space for every 5 student decals and one space for every 1.7 faculty and staff decals.

As one of the top research institutions in the United States, FIU's annual enrollment numbers have increased significantly. As a result of this growth, the unmet parking demands have increased.

To support these increases in parking demand, FIU is currently looking at the opportunity to add a sixth parking garage at its Modesto A. Maidique Campus. The proposed PG 6 will include approximately 2,000 parking spaces, as well as core and shell space for 35,000 gross square feet of classrooms and retail space. This increase in parking supply will increase the total number of spaces on campus to 17,000 with approximately 8,800 of those spaces as structured parking.

With this increase in parking, the goal of this new facility is to increase the ratio of available parking spaces to student and faculty/staff decals. This will result in more convenient and accessible parking for users, decreasing the amount of time spent searching for spaces, while increasing the total number of spaces available to serve the growing campus. Further, the integration of classrooms and retail space within the footprint of the garage will be a valuable use of the footprint, as well as encourage additional street-level pedestrian activity in the area. Additional benefits include a reduction to students' time spent looking for a space, as well as decreases in vehicles circulating and the resulting reductions in emissions from such vehicles.

General Project Assumptions

For the purposes of this analysis, we have utilized the following project assumptions, based on information provided by FIU as well as our experience in design, construction, the local market, and state of the industry P3 practices.

Assumption	Cost	Notes/Detail
Project Cost	$42,500,000	Cost includes all elements including 2,000 spaces and classroom and retail space of 35,000 SF.
Student Monthly Fee	$21.75	Based on the three semester year, annual transportation access fee per student is $261, amounting to $21.75 per student on a monthly basis. Faculty and staff permits average approximately $200 per year, for an approximate monthly fee of $20.00. For this reason, we have included faculty and staff permits at that rate.
Daily Visitor Fee	$8/day or $1/hr	

Fee Increases	3% annually	Assumes three percent annual increase in access fee, as well as daily and short term rates
Garage Occupancy	2000 cars	Assumes garage operates at full occupancy starting in year one and continues.
Decal Parker Occupancy	88%	Assumes 88% of the space will be occupied by students and faculty/staff.
Daily Parker Occupancy	12%	Assumes 12% of the space will be occupied by daily parkers. 50% will be divided among daytime visitors and nighttime visitors assuming an average stay of three hours.
Turnover	2.94	Ratio provided by the University.
Operating Increase	2%	Assumes an annual increase of 2% on expenses.
Operating Cost/Space	$250/space	Assumes industry standard rate.
Operating Administrative Cost	$220/space	Assumes industry standard rate.
Structural Maintenance Reserve	$120/space	Assumes industry standard rate.
Cost of Retail Construction and Operations		Assumes off-set by rent at full occupancy, per the University.

Methodology

To evaluate the feasibility of each of the selected scenarios, we projected revenue and analyzed the operating expenses for Option 1 to set the baseline by which we can compare additional scenarios. Under Option 1, the University would set access fee and parking rates and operate the garage. Under Options 2 and 3 the developer would operate and manage the structure, setting fees and parking rates. It is assumed that under Options 2 and 3, students, faculty, and staff will not pay the transportation access fee to utilize the proposed garage and will instead pay the market rate for parking.

Thus, development and financing expenses for each option become the most pertinent factor to determine the feasibility of each scenario, as parking fees and rates will be set based on the individual facility's profit.

Option 1: FIU Funded and Operated Garage on Campus

The construction and operation of this garage will be very similar to the previously constructed on-campus University owned and operated facilities. The University will allocate and finance the funding for the construction of the garage and will operate and manage the garage by the existing Parking and Transportation Department.

Option 1 Assumptions

Unless otherwise noted, the general assumptions listed above apply in each of the options.

Assumption	Cost	Notes/Detail
Debt Service	5.75%	Per the University, debt service for non-taxable bonds at a maximum of 5.75% over 30 years.

Option 1 Findings

Under Option 1, in the first year the garage operates at an approximate additional cost of $2.2 million to the University.

Option 2: Developer Funded and Operated On Campus Garage

Under this scenario, the University develops a public/private partnership with a developer to fund the design and construction of the garage on campus potentially in the same location as Option 1 for PG6. Once built, the garage will be operated and managed by the developer. Potential fee structure and revenue and additional costs are described in the assumptions below.

Option 2 Assumptions

Unless otherwise noted, the general assumptions listed above apply to this scenario.

Assumption	Cost	Notes/Detail
Monthly Rate	$140/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
Daily Rate	$10/day	Daily rates increase to $10/day and $1.50/hour, at the same ratio of 12% daily parkers.
Turnover	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
Debt Service	6.75%	Debt service estimated at 6.75% over 30 years
City Parking Tax	$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at $300/space.
Developer Fee	5%	Developer fees range from 4% to 7% depending on project conditions, estimated 5% of construction cost to be financed at 6.75%.
ROI	15%	Assumes a mid-range ROI for developers investors of 15%.
Debt Financing	70%	Assumes debt financing at 70% of construction cost with 30% down payment.
Land Lease	$1	Assumes a land lease from the University to the developer at $1 to incentivize the project.
Construction Cost		Construction cost based on garage cost, and does not include 35,000 SF retail shell space.

Option 2 Findings

Under Option 2, the garage operates as at a loss in the near term, until year three when the facility becomes profitable.

Under this option, the developer will utilize taxable private financing. Historically, the delta between non-taxable bonds and taxable private financing is one to two percent. Presently the delta is slightly less than one percent. We have assumed a one percent increase in financing (from 5.75% in Option 1 to 6.75% in Option 2 and 2A) as a conservative assumption.

This increase in cost results from the reduced turnover ratio, increase in debt service rate, the impact of annual city parking taxes, developer fee, and necessary ROI for investors. In addition to the increased cost in this option, the developer may require "Guarantee of Revenue" from the University to incentivize the project. The University may also find it challenging to find a developer incentivized to fund the project under the current revenue structure, given the loss taken in years one and two.

In addition, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Option 2A: Developer Funded and Operated On Campus Garage with Ground Lease

Under this option, the University leases the footprint of the garage at market rates to the developer, in lieu of the one dollar land lease in Option 2.

Option 2A Assumptions

Assumption	Cost	Notes/Detail
Monthly Rate	$150/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
Daily Rate	$12/day	Daily rates increase to $12/day and $2/hour, at the same ratio of 12% daily parkers.
Turnover	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
Debt Service	6.75%	Debt service estimated at 6.75% over 30 years
City Parking Tax	$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at $300/space.
Developer Fee	5%	Developer fees range from 4% to 7% depending on project conditions, estimated 5% of construction cost to be financed at 6.75%.
ROI	15%	Assumes a mid-range ROI for developers investors of 15%.
Debt Financing	70%	Assumes debt financing at 70% of construction cost with 30% down payment.
Land Lease	$2.50/SF	Assumes lease at market rates for approximately $500,000 annually in profit for the University.
Construction Cost		Construction cost based on garage cost, and does not include 35,000 SF retail shell space.

Option 2A Findings

Under Option 2, the garage operates as at a loss in the near term, until year three when the facility becomes profitable.

Under this option, we have again assumed a one percent increase in financing (from 5.75% to 6.75%) as a conservative assumption.

This increase in cost results from the additional cost of the ground lease to the developer at market rates. Again, the developer may require "Guarantee of Revenue" from the University to incentivize the project. As in Option 2, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Option 3: Developer Funded, Operated Garage off Campus

Under this scenario, the University develops a public/private partnership with a developer to fund the design and construction of the garage off campus, on a site to be identified and acquired. Once built, the garage will be operated and managed by the developer. Potential fee structure and revenue and additional costs are described in the assumptions below.

Option 3 Assumptions

Unless otherwise noted, the general assumptions listed above apply to this scenario.

Assumption	Cost	Notes/Detail
Monthly Rate	$170/month	Cost to park monthly for students, faculty and staff increases significantly, but with the guarantee of a space.
Daily Rate	$12/day	Daily rates increase to $10/day and $2/hour, at the same ratio of 12% daily parkers.
Turnover	1.75	Turnover decreases based on operational strategy and guaranteed spaces in majority of the facility.
Debt Service	7%	Debt service estimated at 7% over 30 years.
City Parking Tax	$300/space	Private developer will be subject to parking tax by space and/or millage rates. Estimated at $300/space.
Developer Fee	7%	Developer fees range from 4% to 7% depending on project conditions, estimated 7% of construction cost to be financed at 7%.
ROI	18%	Assumes a higher range ROI for developer investors of 18%.
Debt Financing	60%	Assumes debt financing at 60% of construction cost with 40% down payment.
Land Acquisition	$4 million	Land assemblage and acquisition assumed at $4 million based upon recent land sales in adjacent Sweetwater and appraisal of University land
Construction Cost		Construction cost based on garage cost, and does not include 35,000 SF retail shell and classroom space.

Option 3 Findings

Under Option 3, the garage also operates as at a loss in the near term, until year three when the facility becomes profitable.

In addition to the cost of land under Option 3, this increase in cost above Option 2 results from the further increase in debt service rate, as well as a higher developer fee and ROI. We have assumed a 1.5% increase in financing (from 5.75% in Option 1 to 7% in Option 3). These increases are projected based on the assumption that an off-campus garage will be a higher risk venture for the developer and are consistent with what we observe in the current market.

As in the case for Option 2 and 2A, the developer may require "Guarantee of Revenue" from the University to incentivize the project. The University may also find it increasingly challenging to find a developer incentivized to fund the project under the current revenue structure off campus, as opposed to within the campus boundary.

Given the current rate structure and ability to park anywhere on campus with a decal, students and staff will need further incentive to walk further from the garage or take a shuttle to their destination, in addition to paying a higher rate per month or day for parking.

Another consideration would be opening the garage operation to the public, which would result in a net loss of spaces to be utilized by the University.

In addition, as in Option 2 and 2A, the University cedes the ability to operate the structure, which may result in a change in the level of service for students, faculty, and visitors.

Finally, if providing off campus parking facilities, the developer may need to provide for additional transportation to bring students on the campus via a shuttle or other services. This expense is not included under these scenarios, but should be considered in addition to the costs summarized in this report as a deterrent to project feasibility.

Feasibility Analysis

Based on the findings for each of these scenarios, increasing parking rates, developer expenses and project risk are the most pertinent factors to determine the feasibility of Options 1, 2, and 3.

Option	Cost Year 1	Monthly Cost	Daily Rate	Annual Cost for Students and Faculty
Option 1	$2.2 M to University	$21.75	$8	Student transportation access fees consistent with current structure: $261 per student annually
Option 2	Operates at loss Years 1 and 2	$140	$10	Monthly parker cost: $1680 annually
Option 2A	Operates at loss Years 1 and 2	$150	$12	Monthly parker cost: $1800 annually
Option 3	Operates at loss Years 1 and 2	$170	$12	Monthly parker cost: $2040 annually

Assuming the developer would recoup the cost of Options 2 or 3 through increases in the monthly and daily parking rates charged to all students (as well as staff and facility permit holders), those increases in that fee would be substantial, as detailed in the table above.

Conclusion

Based on our comparison of the options outlined in this report and our analysis to date, it is our recommendation in moving forward with the design and construction of PG6, it is in the best interest of FIU as a whole, well as that of the students, for the facility to be designed, constructed and operated by FIU at an on-campus site.

In Option 2, the additional costs incurred by FIU students and staff, as well as the strain of a potential to revenue guarantee for the developer will not be an optimal situation for the parties involved. Further, in Options 2A and 3, the addition of ground lease costs, and transportation costs from the off-campus lot would result in significant cost increases and inconvenience to students and staff.

In summary, we believe that the most cost-effective solution for this project is for FIU to develop the proposed parking facility on campus. This will not only ensure that the location of the facility is conveniently placed in proximity to other student destinations, but this is the most financially feasible option for students and the university. Finally, the inclusion of retail and classroom space within the garage will generate additional activity and student life in this section of campus.

Thank you for the opportunity to work with you on this exciting project.

Sincerely,

Timothy Haahs, PE, AIA
President