



October 31, 2018

Mr. Ned C. Lautenbach  
Chair, SUS Board of Governors  
and  
Mr. H. Wayne Huizenga, Jr.  
Chair, Facilities Committee  
c/o Board of Governors of the  
State University System of Florida  
325 West Gaines Street, Suite 1614  
Tallahassee, FL 32399

RE: USF St. Petersburg Housing/Dining Project

Dear Messrs. Lautenbach and Huizenga:

I am in receipt of a copy of a memorandum by the Division of Bond Finance (DBF) to the State University System Board of Governors (BOG) dated October 26, 2018 relating to the USF St. Petersburg Campus Housing and Dining Project. This letter offers you more information, additional insights, and underscores student support for this important endeavor.

At the outset, I want to thank the members of the Board of Governors facilities committee who were able to connect with our leadership to discuss the project. Those conversations helped us to ensure that our approach is more highly developed and informed from a BOG perspective and our goals in this regard are mutual and aligned. My fellow Trustee, Stephanie Goforth, participated in most of those meetings. Since she is also the leader of the St. Petersburg campus advisory board and a St. Petersburg resident, she is uniquely qualified to convey the impact of the project on students and the campus. Additionally, the entire Board of Trustees unanimously approved and supported the effort to move the project forward to the BOG through the appropriate process.

Importantly, it is my understanding the BOG staff, who have had deliberative, iterative, and active engagement with USF officials are fully supportive of the project. We truly appreciate their partnership in this matter.

At its most basic, this project is student-centric. It is all about students and possesses so many qualitative elements beyond the obvious financial strength of the proposal. Consistent with prior investments into student housing, we believe this project will advance the strategy of student success at USF. We also believe the project will advance the goals of providing safe, affordable housing in a high cost market, and creating an atmosphere that will catalyze the campus. It is vitally important to the students of USF St. Petersburg and I believe it merits approval by the BOG.

I acknowledge there are multiple ways to analyze housing and dining facilities serving students. But, these arrangements must be responsive to the unique needs of the campuses they serve. Please be assured the Board of Trustees and university leadership has carefully considered and weighed each of those variables before submitting the project to the BOG.

There are a number of factors favoring the St. Petersburg project, and, in particular, the dining facility that did not gain adequate weighting in the memo you received. For your convenience, I have broken down the discussion points into sections corresponding to that memo.

### **Demand for Dining Facility**

1. Students strongly support the project and the dining facility. A letter from student leadership supporting the project was part of the original submittal furnished to BOG staff on July 27, 2018. In the last several days, I asked the St. Petersburg student body president to reflect on the significance of the dining portion of the project and the impact of the meal plans. As you can see from the attached letter, dining is a very important component to the students and offers much more than "a place to eat." There simply are not convenient and affordable alternatives for the students.
2. Geographical factors add another positive piece of support for a dining facility. Practical alternatives do not exist for the students - there are very few places to eat within a reasonable geographical distance of campus. And, for those existing dining establishments, because of the downtown St. Petersburg location, development in the area, and the expensive nature of the housing market surrounding the campus, they are price prohibitive and do not present the student with varied and healthy/balanced choices like our dining facility will. Logistically, the demand is supported by the convenience of the dining facility which provides for a walkable experience between classes and other on-campus activities.
3. There is strong, independent quantitative support for the project. In fact, I would state we have the strongest quantitative support of all: the willingness of a private sector entity to put millions of their dollars at risk to build out the dining facility. Sodexo would not invest \$3 million dollars unless they believed there was demand. Moreover, they would not invest if they could only count on the mandatory meal plans. Even more, if their prices were not competitive versus other options available to students, they certainly would not put capital at risk as walk-in business is important to their ROI. All of these factors are strongly indicative that demand exists for the dining facility.
4. Density adds additional support to the project. A key concept affecting feasibility in the dining business is density. There are approximately 5,000 students (headcount), and growing, at the St. Petersburg campus. There are about 1,000 faculty and staff. There are visitors to campus each day. This sort of density, 6,000+ people on the campus, will create a significant amount of walk-in traffic to assure the success of the dining facility. We are fully confident that Sodexo is cognizant and reliant upon this common industry factor in their business model.

## Mandatory Meal Plans

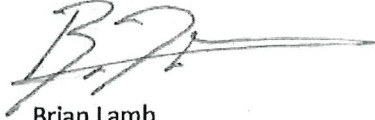
5. Mandatory meal plans are nothing new to the St. Petersburg campus and its students. While meal plans are mandatory, living on the campus is not. With that structure, we have 126% occupancy and 80 people that are on a waiting list. This indicates the meal plan is not a deterrent. Alternatively, as the student letter referred to earlier states, the meal plan has many intangible positives for the student population.
6. Mandatory meal plans are a predominant practice in the SUS system.
7. We have furnished the existing Sodexo agreement to all parties. Additionally, we are in a good position to evaluate the level of compensation to the University and are in the process of finalizing negotiations with Sodexo. This information will be shared as soon as we have settled on terms. Our informed negotiating posture about the market comes from our experience in “standing-up” the Village at the Tampa campus. We revisit these arrangements each year and negotiate with our provider while keeping the students and costs are first in mind. Accordingly, we are aware of what the market bears and are benchmarking off that information.
8. We have proven, contractual measures for controlling costs to students. We hold in reserve an effective method to control costs – we can terminate the contract with Sodexo with proper notice and secondly, they are fully aware there are other food service providers that would be more than willing to step in. In addition, our contracts contain a clause stating they cannot increase costs without mutual agreement and at the same time, puts limits on increases.
9. The dining project is self-supporting and does not rely on hidden subsidization from student residents. Through negotiations, we have mitigated cost pressures on rental and dining rates on the project. We want to share the diligence we have employed in evaluating this project and protecting students.

The agreement with Sodexo and their capital contribution to the project, combined with the infusion of equity by USF, will eliminate cost subsidies from residents to the dining portion of the project. The estimated cost of the dining portion of the project is approximately \$2.2 million for the shelled dining facility. Again, Sodexo will provide about \$3 million for the build-out. USF will also contribute capital of \$800,000 toward the dining facility leaving a net cost of about \$1.4 million dollars. Amortization of this cost is estimated at about \$90,000 per year. We are comfortable that commissions, net of direct costs on this project, using benchmarks we have from the Village project in Tampa will pay for the dining portion of this endeavor. In essence, this facility will carry its own weight. In this way, we eliminate cost pressures that might otherwise present themselves in pricing both housing and dining.

In closing, it cannot be overstated how very important this project is to the students, the future of the St. Petersburg campus, and the USF system as a whole. The St. Petersburg campus has so much to offer to students and to add additional housing with a fully functioning dining option is a key to creating a thriving campus. The dining facility will naturally evolve into a campus gathering space for study groups, learning communities, and create intersections between students and faculty. It will be an asset to the campus to improve retention and create a sense of place.

I hope this additional information will allow your full support of the project. Should you have additional questions, do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Lamb", with a long horizontal flourish extending to the right.

Brian Lamb  
Chair, Board of Trustees  
University of South Florida

c: Mr. Marshall M. Criser III, Chancellor  
Dr. Judy Genshaft  
Members - USF Board of Trustees  
Division of Bond Finance



October 29, 2018

Dear members of the Board of Governors,

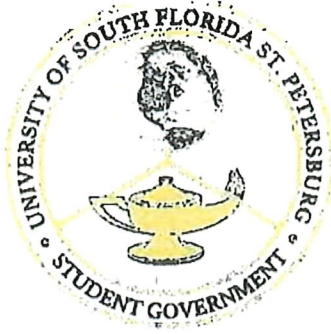
I am writing to submit this letter of support of the new residence hall project including the new dining hall at the University of South Florida, St. Petersburg. Living on campus provides a built-in support system and a key dimension of this is access to good nutrition and a place to gather in community. The proposed housing project includes a brand new dining facility which will provide for these important dimensions of student life. As students choosing to reside on campus, it is important that an affordable dining plan is a requirement of residential students for the following reasons:

1. The university is located in downtown St. Petersburg where there are a lack of affordable dining options for USFSP students;
2. The new dining facility will provide a place for all students to congregate and build relationships;
3. The new housing project will not include kitchens in the suites;
4. Adds additional student employment opportunities;
5. A dining facility and required meal plan will provide ease of access to healthy food options.

Research has shown that students are able to learn better when they're well nourished, and eating healthy meals has been linked to higher grades, better memory and alertness, as well as faster information processing.

Over the past 12+ years this institution has grown as a place known for its commitment to community and as a place where students can partake in learning opportunities. USFSP has the potential to be a unique but equally shining jewel in the crown of the Tampa Bay Region. With the new housing and dining project, we expect higher retention rates and the on-campus opportunities to grow.

As student leaders, we appreciate the work that has gone into making this project become a reality on our campus. Expanding the on-campus residential population by 375 students will make the campus come alive with an increased energy that it currently does not have. As the Student Body President, I support the construction of the new residence hall and dining facility and thank you for your continued leadership of this important effort.



Sincerely,

Daniel K. Kelso  
Student Body President