

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 27, 2018**

SUBJECT: A Resolution of the Board of Governors approving Florida International University Board of Trustees to enter into a sublease and an operating agreement with Concord Benchmark, LLC, related to the construction, financing and operation of a 150 bed hotel and conference center, as well as the construction of an alumni center, on the Modesto Maidique Campus of the University.

PROPOSED COMMITTEE ACTION

Adoption of a resolution approving of Florida International University Board of Trustees ("FIU") entering into a sublease and operating agreement with Concord Benchmark, LLC ("Owner") for the construction, operation and maintenance of a 150 bed hotel, conference center and 300 associated parking spaces on the University's main Modesto Maidique Campus. If approved, FIU will enter into a 40-year sublease with the Owner, which will also require Owner to construct an adjacent alumni center to be owned and operating by FIU Foundation. Construction of the alumni center will be funded entirely by direct cash investment by FIU Foundation and, to a lesser degree, donations received by FIU Foundation in support of FIU Alumni Association. A separate ground lease will be entered into between FIU and FIU Foundation in connection with the alumni center.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, has reviewed this resolution and all supporting documentation for compliance with Florida law and the Board of Governors' P3 Guidelines. The Project is within the guidelines, however, the demand for the hotel is not solid. FIU and Owner intend to aggressively address demand, and therefore, the staff of the Board of Governors recommends adoption of the resolution and authorization of the proposed project.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Sections 1013.171 and 1010.62, Florida Statutes; and Article IX, Section 7(d), Florida Constitution

BACKGROUND INFORMATION

The Florida International University has reviewed a proposal for entry into a sublease for the construction of a hotel and conference center (the "Project") utilizing a Public-Private Partnership arrangement. The proposed Project is to be located on the Modesto Maidique Campus ("MMC"), the main campus, on a 5.21-acre parcel. The Project will be a 150 bed hotel, approximately 154,000 gross square foot building with amenities such as a pool and restaurant with approximately 300 parking spaces.

The estimated cost of the hotel/conference center facility is \$59.4 million, the design, development and construction of which will be financed by the Owner in its entirety via equity investment (40%) and private-financing/debt (60%). The Owner will grant a leasehold mortgage to the lender to secure the loan. The Owner will receive 3.5% of total costs or approximately \$2.3 million as a fee for development services. The Owner will also construct an alumni center on the property at a cost of \$6.8 million, which will be paid for by FIU Foundation. The alumni center will be owned and operated by FIU Foundation.

For use of the land, the Owner will pay FIU a base rent of \$210,000 annually, which will escalate by 5% every 5 years. FIU will also receive additional payments as part of profit sharing starting at 6%, once the cash return on the Project reaches 10%. The Owner will also be required to reserve 2% of gross revenue, escalating to 4% by year four of operations, for maintenance and repair of the Project.

The Florida International University Board of Trustees, at its June 1, 2017 meeting, approved the Project and the sublease.

Taken as a whole, approval of the Project is recommended by Board staff.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Questions and Answers dated 8/31/17
4. Estimated Sources and Uses
5. Pro Forma Projections
6. Revenues due FIU, 10-year Projection
7. Div. of Bond Finance Memo

Facilitators/Presenters: Mr. Chris Kinsley