

FIU HOTEL, CONFERENCE CENTER, AND ALUMNI CENTER

QUESTIONS AND ANSWERS FROM AUGUST 31, 2017, BOARD OF GOVERNORS FACILITIES COMMITTEE

1. What is the “Tie to Mission” of the hotel and conference center?

FIU’s vision for the hotel and conference center is two-fold:

- A hotel and conference center that will serve the accommodation and conference needs of students, faculty, and staff, including:
 - Student campus tours and visits; orientation programs; graduations
 - Academic and research conference and professional development programs
 - Meeting and seminar rooms for symposia and student career fairs
 - Special events, award ceremonies, and speaker series

- An innovative way to improve academic programs and enhance student success in the classroom and job market:
 - Paid internships, work study opportunities and part-time jobs for current students in hospitality and tourism management, construction management, management, accounting, finance, marketing, and communications in both front- and back-of-house operations
 - Post-graduation job opportunities for recent FIU graduates
 - Sharing of proprietary business data for faculty research opportunities in market trends, consumer behavior, and market research
 - Integration of hotel and conference center operations into curriculum development
 - Management participation in guest lectures and workshops for students

Once the hotel and conference center is open, FIU will reap benefits directly related, not only to FIU’s primary mission to educate, conduct research, and promote community service, but also to FIU’s BeyondPossible2020 strategic plan, which is intertwined with achieving excellence in the BOG metrics. For example, FIU will receive a new steady stream of revenue, at no risk, to support undergraduate scholarships generated from land that is currently being underutilized due to its location on campus. These funds will directly support all goals in the FIUBeyondPossible2020 strategic plan, but most importantly first-to-second year student retention rate, improving six-year graduation rates, and reducing the cost of an undergraduate education, all driven by greater scholarship support allowing students to focus on their studies. Concord Benchmark, LLC, (Concord Benchmark or CB) has committed to providing internships and work study opportunities, and data shows that students who participate in opportunities like these have significantly higher graduation rates and receive more job offers upon graduation. Finally, on-campus hotel and conference centers support the strategic hiring of new faculty members, further adding to the FIU appeal and ability to provide a better new employee experience, and together these new strategic hires will contribute to growing sponsored research at FIU to \$200 million annually, increasing Ph.D. production, and growing the number of patents issued.

Altogether, FIU believes the hotel and conference center is consistent with the FIUBeyondPossible2020 strategic plan and will support our overarching goals of increasing student success, growing preeminent

programs, supporting research as a Carnegie Very High Research institution, and growing revenue streams that will support the University and our students.

FIU's BeyondPossible2020 strategic plan can be viewed at <https://stratplan.fiu.edu/docs/Strategic%20Plan.pdf>.

2. What management company is being used to operate the hotel and how many “independent hotels” do they operate?

Benchmark Management Company, LLC (BMC) is the operator of the hotel and conference center. BMC operates over 40 independent hotels and/or conference centers in the U.S. and abroad, and the following are just a few examples:

- *The Chattanooga*, Chattanooga, TN: 202 rooms
- *The Heldrich*, New Brunswick, NJ: 250 rooms
- *Stonewall Resort*, Roanoke, WV: 191 rooms
- *UCLA Meyer and Renee Luskin Hotel and Conference Center*, Los Angeles, CA: 254 rooms
- *Inn at Virginia Tech and Holtzman Alumni Center*, Blacksburg, VA: 142 rooms
- *Hotel Roanoke and Conference Center*, Blacksburg, VA: 330 rooms

The complete portfolio of BMC resorts, hotels, and conference centers can be viewed at http://www.benchmarkresortsandhotels.com/property_listing/.

The owner, Concord Benchmark, envisions the hotel and conference center being non-flagged and FIU centric, featuring prominent FIU themes, e.g. blue and gold, artwork by FIU artists and photographs and artifacts choreographing FIU's history, and the meeting areas and rooms will maintain names honoring FIU and its traditions. Ultimately, BMC, as a manager with experience implementing similar non-flagged institution-branded on-campus hotel and conference centers, always strives to maximize the unique brand of the destination, and believes that unique FIU brand will drive strong occupancy. Flagged hotels can offer established distribution channels, but at a cost, and BMC has not dismissed the possibility of pursuing either a soft or hard brand for the hotel and conference center in the future based upon an appropriate cost and benefit analysis.

3. What happens if occupancy drops below a rate that allows for the hotel to break even? For example, if occupancy in future years drops to 50%, does FIU have the authority to transition into a franchise brand that can help increase occupancy and average daily rates?

FIU has no financial or operational risk or obligations with respect to the hotel and conference center and consequently does not have the authority to require the owner, Concord Benchmark, to transition into a soft or hard brand which may or may not increase occupancy and average daily rates. As mentioned above, while branding may result in new and established distribution channels, this will come at a cost, and the owner will need to determine whether the possible uptick in revenue driven by new occupancy and higher average daily rates more than offsets this cost. At all times, the owner and operator of the hotel and conference center will be bound by the operation, maintenance, and repair obligations of the Sublease and the Operating Agreement, and if those covenants are breached and not cured within any applicable time frames, then FIU may terminate the relationship with Concord Benchmark.

In the unlikely situation where occupancy drops below a sustainable rate, debt holder(s) will likely exercise their rights under the pertinent loan documents and institute a new manager and/or require branding. It bears emphasis that FIU will have consent rights over any change in the manager of the hotel and conference center.

4. Will the alumni center costs be capped?

Yes, the FIU Foundation will enter into a separate Development Agreement for the alumni center and there will be a guaranteed maximum price.

5. How will alumni center parking needs be addressed?

The alumni center will have ten separate spots for daily visitors in the 300-spot parking lot owned and operated by the hotel and conference center. These spots are intended for quick visits by alumni and other guests. The remaining 290 spots will be solely for hotel and conference center guests. Alumni center employees will park in existing faculty/staff spots across the street to the Alumni Center (#2 below). If alumni events are taking place at the alumni center, then overflow parking will be available at either the existing and adjacent FIU surface lot (#2 below) with ample visitor spots, or Parking Garage 6 (#1 below) and Panther Garage (#3 below) with over 3,000 parking spots.

This arrangement to address parking overflow is true for the hotel and conference center as well. Concord Benchmark has agreed to reimburse FIU at the then prevailing market rates for large events requiring more than the 290 spots on site. FIU Parking will work closely with the hotel operator to ensure parking is available with no impact to FIU operations.



6. Will utilities for the alumni center be integrated with the hotel and conference center?

The designs for the hotel, conference center, and alumni center have not been finalized, but all utilities for the alumni center will be separately metered. As a result, the alumni center should not be affected in the unlikely event the hotel and conference center cease operations. FIU will work with Concord Benchmark with designing the alumni center so that, in the unlikely event the hotel and conference center is demolished, the alumni center can continue to exist.

7. How does FIU reconcile the different demand analysis reports from PKF and JLL?

The June 2015 PKF Consulting (PKF) demand study focused on Modesto Maidique Campus (MMC) generated demand broken down into four categories:

- Transient Business Lodging;
- Transient Leisure Lodging;
- Athletic Group Lodging; and
- Conference and Other Group Lodging including Meeting Demand.

When evaluating each of these demand drivers, PKF focused mostly on what demand FIU would drive to the facility based on surveys, interviews, and market analysis, and current FIU spend for local events and lodging. For example, Transient Business Lodging represented individuals coming to MMC for interview/recruiting, guest speakers, conferences, and research. It did not capture the non-FIU driven local business demand, which Concord Benchmark plans to target in addition to FIU demand. In Concord Benchmark's Step 1, Step 2, and Best and Final Offer, they outlined a strategy that not only focused on having high capture rates for FIU generated demand, but also building strategic partnerships with local Fortune 1000 companies to use the hotel and conference center facilities for their events, trainings, and so forth.

In addition to Concord Benchmark's focus on generating new demand, it is worth noting that PKF assessed FIU demand in its current form, without taking into account the impact of having a state-of-the-art alumni center co-located with the hotel and conference center and the impact that a strong operator can have on both the total number of room nights of available demand from both FIU and the community, but also capture rates. At the same time, based on Jones Lang LaSalle's (JLL) recent market reports, the adjacent Doral hotel market is trending significantly above market, with occupancies in the 80-plus percent range and, with strategic pricing and strong marketing, the hotel and conference center will be in a great position to capture overflow.

JLL's market demand study, in contrast to PKF, not only looked at FIU driven demand but also demand from strategic partnerships, being in a high demand market, and the benefits of having a strong operator like BMC. Taking into account all demand, JLL determined that a 150 or more key hotel and appropriate conference center is needed at MMC.

Ultimately, the PKF recommendation for a 95-key hotel with a modest conference facility is not in line with the project as presented by all three initial respondents and the selected Best and Final Offer. The design and programming has changed (in the ITN solicitation, FIU required a minimum of 105 keys and asked respondents to measure demand and propose an appropriately sized facility) and the partners

expertise and vision, along with strong ties to alumni, faculty, and staff, and the inevitable uptick in interest for FIU Football, all indicate the JLL's proposed 150 plus key hotel and conference center is more in tune with the market.

8. Explain difference between proposed value of the facility as noted by JLL.

JLL's assumptions around programming, average daily rates, and conference center activity are not completely in line with the vision provided by the Concord Benchmark team. JLL's construction estimates assumed the alumni center would be a component of the public private partnership and not a standalone facility funded by the FIU Foundation (fund raising and direct investment). Additionally, the JLL pro forma did not include rental revenue for the alumni center; i.e., the hotel and conference center financials had to support the cost of construction of a non-revenue generating alumni center, which is not the case in the final structure presented to BOG.

In addition, the Best and Final Offer from Concord Benchmark includes 290 revenue generating parking stalls (300 minus 10 for alumni center guests) and not the more expensive 150 stall garage as contemplated in JLL's analysis. During the competitive solicitation and negotiation process, the FIU team looked closely at increasing the size of the location for the hotel, conference center, and alumni center, and ultimately was able to increase the available land area from 4.6 to 5.21 acres allowing for the more cost-efficient surface parking.

Finally, JLL's assumptions regarding average daily rates and conference center demand are not aligned with the current vision. Average daily rates in the local market are trending higher than projected and the hotel will be positioned as an upscale to upper-upscale full-service facility demanding higher average daily rates (which will be in line with GSA rates). The conference center is projected to have greater demand than the JLL assumption of two events per week, driven by strong partnerships with local businesses, and FIU's position as a Carnegie R1 highest research institution.

9. What constitutes \$1.3 million in Bank of America royalties?

The Alumni Association grants the right to solicit business from the University students and alumni population, faculty, staff, and athletics ticket holders, in addition to using its logo on credit cards targeting the alumni and, as a result, receives royalty revenue from Bank of America, which will make up the majority of the \$1.3 million in cash needed for the alumni center (\$5.5 million as a direct investment by the Foundation and remainder from royalty revenue and fundraising).

10. If FIU is landlocked then why is it using the land for a hotel, conference center, and alumni center?

The proposed site for the hotel, conference center, and alumni center is the furthest northwest corner of MMC located between a wetland preserve used for research, recreation fields, and a parking garage. In the current FIU Master Plan, this site was always earmarked for recreation and preservation and was never intended for academic space needs. FIU is landlocked, but this small and remote portion of MMC would not be ideal for academic or office space as it is surrounded by parking garages and surface lots, recreation fields, and wetland preserves. A hotel and conference center is the highest and best use. Additionally, FIU has had a standalone alumni center on its master plan for many years. FIU is unique as a large comprehensive metropolitan university without an alumni center. A standalone alumni center, as

developed in the 2012 alumni center design study, incorporated its own conference and meeting space. In this design study, FIU would need 1.84 acres to develop a standalone alumni center, which means the hotel and conference center is actually utilizing only 3.37 acres of additional land.

Ultimately, FIU needs a hotel and conference center to fulfill a critical shortcoming, as most meeting space is 60 to 90 minutes away from MMC in Coral Gables, depending on traffic. Additionally, every great university has an alumni center to serve as a home for alumni.

11. What will FIU do with revenue from the hotel?

FIU will use ground rent and profit participation revenue exclusively for student scholarships. The number of scholarships has not been determined but will be done in a way that best improves student performance (larger number of smaller scholarships versus smaller number of larger scholarships).

12. What if the hotel and conference center fails—what will happen to the alumni center?

The alumni center will be designed as a standalone facility, with separately metered utilities and parking for both guests and employees, and is only being built by Concord Benchmark to maximize efficiency. The preliminary plans for both the hotel and conference center, and the alumni center, have one shared space, the lobby, which was, by design, to minimize the need for separate meeting space in the alumni center; i.e., Alumni Association will use conference center and hotel meeting space rather than building their own. In the unlikely event that the hotel and conference center ceases operations or is demolished, the Alumni Association will make alternative arrangements for meeting space.

13. Why pursue a public private partnership for a hotel and conference center if not part of FIU's core mission?

See response #1 above. FIU understands that the design, construction, and operation of a hotel and conference center is not a direct component of the core mission to serve the diverse population of South Florida, provide high quality teaching, state of the art research and creative activity, and collaborate with our local and global community; however, the academic, student, and financial benefits driven from the hotel directly support each of these components in various other ways. For example, the hotel and conference center supports FIU's research mission by providing a venue for conferences, symposia, lecture series, and recruiting which are not currently available to FIU given its location in Miami-Dade. At the same time, the hotel and conference center public private partnership will monetize a portion of the MMC that is too remote and not ideal for academic use—these funds will be used exclusively for scholarships which will directly support the teaching mission of the university. Finally, the owner and operator of the hotel and conference center has agreed to provide student internships, work study opportunities, collaboration on development of hands-on curricula, and sharing of real world data supporting faculty in many schools and colleges at FIU including Hospitality, Construction Management, Business, Arts, Science, and Education.

14. How were rental payments determined?

Per the BOG Public Private Partnership Guidelines, FIU ensured that base ground rent, adjusted per CPI every five years, was more than fair market value for the site at MMC. An appraisal by a third-party

expert was obtained to verify that, even without profit participation, FIU is receiving at least fair market value for the land. Taking into account the additional revenue from profit participation, which is in excess of the fair market value ground rent, this public private partnership will generate an even greater value for FIU. As projected with conservative occupancy and average daily rates, FIU will receive approximately \$11.6M from the owner for the 4.61 acres (5.21 total acres with 4.61 for hotel and conference center plus associated parking and 0.60 acres for the alumni center).

15. How were costs determined for the alumni center? How do you know if FIU is getting the best price?

The FIU facilities team, which has extensive construction experience, has and will continue to evaluate the construction budget/costs with utmost diligence.

There will be a guaranteed maximum price.

16. What will keep use of the hotel from becoming a directive from FIU?

FIU will never direct faculty or staff to use the hotel and conference center. Instead, FIU believes that demand will organically flow to the hotel and conference center because of the value proposition it presents to the faculty and staff—convenient location, IACC approved conference center, and preferential conference and room rates.

17. Why did FIU change consultants regarding demand?

FIU engaged PKF in 2008, 2013, and 2015 to evaluate a specific question—what is FIU-driven demand for an on-campus hotel and conference center. In 2015, as the President’s Hotel Taskforce moved forward on the project, it was decided that two additional questions needed to be answered—what is the local market demand that an on-campus hotel and conference center would capture (not just FIU demand) and what would total cost and financial viable operations look like. At the same time, to ensure the accuracy of our assumptions going into the ITN, FIU decided to seek a second opinion and engaged JLL, another leader in the hospitality space.

FIU shared both the PKF and JLL reports in its ITN release to the market and included both in the first BOG submission. Ultimately, the PKF and JLL reports answered different questions and that is the driver for having two consultants.