

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS

November 5, 2015

SUBJECT: A Resolution of the Board of Governors Approving the University of South Florida to enter into a ground sublease with a vendor for the construction, financing, operation and maintenance of a new grocery store on the main campus.

PROPOSED BOARD ACTION

Adoption of a resolution approving of the University of South Florida (“USF” or “University”) entering into a *ground lease for the construction, financing, operation and maintenance of the Project with Publix Super Markets, Inc.*, or its affiliate (the “Owner”). If approved, USF will enter into a 20-year ground sublease for the Owner’s use of the land on which the grocery store will be constructed.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, have reviewed this resolution and all supporting documentation for compliance with Florida law and the Board of Governors P3 Guidelines. *The proposed Project appears to be in compliance with applicable Florida law and the BOG P3 Guidelines except the term of the ground lease is potentially longer than 40 years.* Staff noted the lease term of 21 years (including construction) is in conformity with the Board’s Guidelines. However, the Owner has an option for six additional five year renewals that would extend the lease beyond the term permitted by the Guidelines by 11 years. However, the Project may not be financially feasible for the Owner except via an extended ground sublease that allows the Owner to recoup its cash investment. Additionally, *the limit on the term of leases contained in the P3 Guidelines is less important for this Project because it is not financing a university facility and does not involve any university auxiliary enterprises or operations.*

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Article IX, Section 7, Florida Constitution; Section 1013.171, Florida Statutes

BACKGROUND INFORMATION

The University of South Florida Board of Trustees has reviewed a proposal and adopted a resolution authorizing the President to execute a ground lease for the construction and operation of a grocery store (the “Project”) utilizing a public-private partnership arrangement. The Project will be approximately 29,000 gross square feet store, with 145

parking spaces. *The Project cost of \$12 million will be funded by the Owner using its cash and not project debt. The Owner will pay USF a base rent starting at \$130,000 annually, which will escalate by 10% every 5 years.*

The University of South Florida Board of Trustees, approved the Project and authorized the President to take all necessary actions and steps required to execute all documents in connection with the Project, including a ground lease at its meeting on October 13, 2015. The primary justification for the proposed Project and P3 structure is to *provide students, faculty and university employees access to a grocery store on campus and be compensated for the commercial use of land not needed by the university with little risk and no debt attributed to the University.*

The University has requested approval from the Board of Governors prior to execution of the Ground Sublease for the Project as authorized by the University Board of Trustees. *USF is not obligated to make any payments or provide any financial assistance for the Project.*

The Project will allow USF to provide students, faculty and university employees access to a grocery store on campus with no direct financial risk to the university. According to outside counsel hired by USF, the ground sublease provides strong protection for the university in the event of a default by the Owner. In addition, the Project will provide income to USF during the lease term, and employment opportunities for USF students. Lastly, the Project was legislatively approved in the 2015 special session.

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

Supporting Documentation Included:

Information located in the Finance
Committee materials