MINUTES
STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
FACILITIES COMMITTEE
November 4, 2015

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Chairman H. Wayne Huizenga, Jr., convened the Board of Governors Facilities Committee meeting at 8:32 a.m., November 4, 2015. The following members were present: Vice Chair Dick Beard, Matt Carter, Mori Hosseini, Wendy Link, Alan Levine, Edward Morton and Kathy Robinson. Other members present included Dean Colson, Tom Kuntz, Ned Lautenbach, Pam Stewart and Norm Tripp.

1. Call to Order

Governor Huizenga called the meeting of the Facilities Committee to order.

2. Approval of Minutes of the Meetings of the Facilities Committee

Governor Carter moved that the Committee approve the minutes of the Facilities Committee Meeting held September 2, 2015. Governor Levine seconded the motion, and members of the Committee concurred.

3. Amendment to the 2016-17 SUS FCO LBR

Governor Huizenga explained that the package was an addition to the PECO list rather than an amendment to the 2016-17 Legislative Budget Request for Fixed Capital Outlay. Mr. Chris Kinsley, Assistant Vice Chancellor for Facilities and Finance, explained the different items in the package. First the CITF (student fees) is updated with actual numbers from the universities to allocate the previously requested $35 million. Also, included was the PECO list adopted by the Board on September 3, 2015, which includes funding for $61.8 million for maintenance and six named projects for 2016-2017. This item is on the three year list required by law to be adopted by the Board. There is also a list with each university's share of the $61.8 million based on the statutory calculation. Next, the supplemental list of projects reviewed by the Committee on September 22 was presented. Chair Hosseini clarified that the Committee is not approving this priority list, it's for information only.

Mr. Kinsley then presented BOB 1, which is Projects Requiring Legislative Approval to be Constructed, Acquired and/or Financed by a University or a University Direct Support Organization and BOB 2 which is the Fixed Capital Outlay Plant, Operation and Maintenance (PO&M) Appropriation request. Governor Huizenga explained that the Board Office will get more information on these projects as the Legislative staff begins their review, and that staff will be bringing the PO&M funding list back with additional detail in January.

Finally. Mr. Kinsley presented the property transfer from USF to the Sarasota Airport Authority, and stated that this item had been approved by the USF Board of Trustees.

Governor Morton moved approval of the amended LBR, Governor Carter seconded the motion, and the members of the Committee concurred.

4. <u>UCF Conference Center Hotel Project</u>

Mr. Kinsley explained that the University of Central Florida (UCF) was seeking approval from the Board for ground lease authority to enter into an agreement with KUD International for the building and operation of a hotel on the UCF campus. UCF will receive payment in the form of rent and variable payments based on revenues. The lease is for 62 years, which exceeds the P3 Guidelines by 22 years. Mr. Kinsley said the longer lease is justified given the uniqueness of the project. Governor Tripp expressed concern that the lease term is so far outside of the Guidelines. Governor Huizenga agreed but explained that these are leases that were previously not brought before the Board but within the purview of the Board of Trustees. UCF's CFO, Bill Merck, explained that the ground lease provided protection to the university that requires the vendor to maintain the building – this was confirmed by UCF's General Counsel, Scott Coleman. Governor Levine asked to have it clarified that this is a ground lease that will produce revenue to UCF with no obligation or risk to UCF. The Board discussed the diversion of the lease term from the Guidelines and the pros and cons of an exception.

The Board questioned how the revenue would be used by UCF. Mr. Merck explained that it is UCF's intention that the revenue received go towards student scholarships, but didn't want to commit that this would be the case in the event of a future budget cut. Governor Huizenga advised Mr. Merck that he would like the motion to contain a directive that the revenue received be used for student scholarships. Mr. Merck asked that this be delegated to the BOT, and Chair Hosseini agreed.

Mr. Merck also told the Board that UCF faculty has expressed interest in an up-scale hotel nearby to use in recruiting activities.

Governor Hosseini moved for approval of the project, Governor Morton seconded the motion, and the members of the Committee concurred.

5. USF Grocery Store Project

Mr. Kinsley explained that the University of South Florida is seeking a fast-tracked preapproval for a ground lease with Publix Supermarkets, Inc., for the building and operating of a grocery store on its main campus under a lease 11 years longer than the Guidelines.

Chair Hosseini recommended and moved that the project not be fast tracked and that staff have additional time to study the proposal. Governor Morton seconded the motion, and the members of the Committee concurred.

6. USF Public Private Partnership Housing Project

Mr. Kinsley explained that he would keep his remarks brief, since the Board members have carefully scrutinized the project details. He emphasized the poor condition of the USF housing project to be replaced, which has $100 million in deferred maintenance and has not raised rental rates in at least 3 years. He said that no appropriated funds go towards housing, housing is self-sustaining. This project may not be perfect, but it does offer an opportunity to improve USF's housing system.

USF Trustee Chair Brian Lamb was then asked to present additional information regarding the project to the Board. Chair Lamb explained the project was an important strategic move for USF. USF desires to be an AAU institution, which most are highly residential. Chair Lamb also discussed other advantages of the project including: financing - not direct liability to state of Florida; construction risk is completely transferred to the vendor; occupancy risk resides with the vendor; capital maintenance is transferred to the vendor so that there will be no deferred maintenance problem.

The Board discussed the pros and cons of the project. Governor Morton observed that the deal was well structured – and there were tradeoffs for the fact that USF would be able to have the entire project at one time which is positive given the data shows living on campus is critical to student success.

Mr. Kinsley provided the Board with some options to restructure the project deal, if desired. The options were: removal of residency requirement; that project revenues generated be dedicated to the USF housing system; rates for comparable existing beds would be equivalent to project beds; no financial obligation will be created for USF or the state; that the lease term be reduced from 50 to 45 years; and that USF continue to examine in future years how to drive operational and custodial costs down. With regards to the lease term, Mr. Kinsley explained that there are pros and cons to both the 50 and 45 year term. Governor Kuntz expressed a preference for 45 years, and Chair Lamb said that was acceptable to USF.

Director of Bond Finance, Ben Watkins, spoke about his concerns with the project. His number one priority is cost of financing, and the project term is being driven by the cost of financing. He agreed with Governor Morton's point about there being tradeoffs but said that his point of view was much narrower than the Board's, and his office does not consider the competing pros and cons of the project. In addition he felt that because USF was managing the housing placement, that their credit rating my in fact be impacted. Chair Lamb explained that a credit rating agency visited the campus and felt the impact would be neutral. However, if USF were to do a project on its own of this size its credit rating would likely be affected.

Chair Hosseini asked USF's BOT to consider in the future whether it would be cheaper to allow a 3rd party to manage housing placement and custodial services to the project.

Governor Levine moved to approve the project with the changes recommended by staff (including the 45 year lease term), Governor Morton seconded the motion. The Committee concurred.

7. Adjournment

There being no further business, the meeting adjourned at 10:05 a.m., November 4, 2015.

H. Wayne Huizenga, Jr., Chair

Chris Kinsley,
Assistant Vice Chancellor, Finance & Facilities