

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS**

January 21, 2016

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 the University of South Florida (“USF” or “University”) entering into a ground sublease for the construction, financing, operation and maintenance of a grocery store (the “Project”) with Publix Super Markets, Inc., or its affiliate (the “Owner”). If approved, USF will enter into a 21-year ground sublease (including construction) for the Owner’s use of the land on which the grocery store will be constructed. The site selected is unused land, which, according to USF, is not desirable for future development of an academic facility.

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; however, Board approval requires a determination that an exception to the P3 Guidelines is warranted as noted below.

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 adopted a resolution, authorizing the President to execute a ground lease for the construction and operation of 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. However, the specific financing plan is at the discretion of the Owner. The Owner will pay USF a base rent starting at \$130,000 annually, which will escalate by 10% every 5 years, and will provide employment opportunities for USF Students.

The request for pre-approval from USF was submitted to the Chancellor's Office on October 13, 2015. The Facilities Committee deferred taking action on the item at its meeting of November 4, 2015. USF submitted a request for approval on December 14, 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 the land with no direct or indirect financial risk and no debt attributed to the University. USF is not obligated to make any payments or provide any financial assistance for the Project.

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

P3 Guidelines Requirements - Exception Discussion

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.

Supporting Documentation Included: Information located in the Facilities Committee materials