

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

January 30, 2020

SUBJECT: A Resolution of the Board of Governors approving Florida State University Board of Trustees to enter into a sublease, operating agreement and other related agreements with ZP No 350, LLC, an affiliate of Zimmer Development Company, related to the development, construction, financing, operation and maintenance of a 400-bed student housing facility on the Panama City campus.

PROPOSED BOARD ACTION

Adoption of a resolution approving of Florida State University Board of Trustees (“FSU”) entering into a sublease and operating agreement with ZP No. 350, LLC (“Owner”, “Developer”) for the construction, operation and maintenance of a 400 bed student housing facility and associated parking spaces on FSU’s Panama City campus. If approved, FSU will enter into a 40-year sublease with the Owner.

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 and found it to be in compliance with Florida law and the Board of Governors’ Public-Private Partnership (P3) Guidelines.

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 University considered various options to build student housing on the Panama City campus and determined a P3 method most appropriate. Accordingly, it issued ITN 5978-6, dated January 18, 2019, in search for a national-scale developer with experience in constructing and operating student housing, and with the financial strength to preclude any financial support from the University. Five respondents were evaluated, with final award given to Zimmer Development Company on May 2, 2019. The proposal calls for entry into a sublease for the construction of a student housing facility.

The proposed Project will be located on the Panama City campus (“FSUPC”), on a 2.65-acre waterfront parcel, and comprised of 132 units, 400 beds, representing approximately 150,000 gross square feet. The Project will include associated surface parking and recreational amenities (together, the “Project”).

The estimated cost of the facility is approximately \$23.1 million, the design, development and construction of which will be financed by the Owner/Developer in its entirety via equity investment (20%) and private-financing/debt (80%). The Owner will grant a leasehold mortgage to the lender to secure the loan. The Owner will receive 2% of total costs or approximately \$462,000 as a fee for development services.

The Project is anticipated to be open Fall 2021.

For use of the land, the Owner will pay FSUPC a base rent (ground lease) of \$87,100 annually, as well as an annual payment of \$231,820 in lieu of real estate taxes, both of which will escalate based on CPI every 5 years. The University will also receive additional payments in the form of profit sharing based on 2% of net operating income, subject to the Project maintaining 90% occupancy and minimum 1.20x debt service coverage. The Owner will also be required to make annual payments equal to \$200/bed into a repair and replacement reserve to help ensure adequate maintenance of the Project.

The Florida State University Board of Trustees approved the Project and the sublease at its November 1, 20197 meeting.

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

Supporting Documentation Included: Information located in the Facilities Committee materials