

FLORIDA

POLYTECHNIC
UNIVERSITY

BOARD OF TRUSTEES
FULL BOARD MEETING

Tuesday, November 26, 2013
2:00 p.m. – 3:00 p.m. Eastern Time

Conference Line: 1-888-670-3525 & Participant Code: 5656664913#

Chair Rob Gidel
Dr. Sandra Featherman
Kevin Hyman
Bob Stork

Vice Chair Mark Bostick
Dr. Richard “Dick” Hallion
Dr. Robert MacCuspie
Don Wilson

Bill Brown
Scott Hammack
Frank Martin

AGENDA

- | | | |
|-------------|---|-------------------------|
| I. | Call to Order | Rob Gidel, Chair |
| II. | Roll Call | Jackye Maxey |
| III. | Approval of Residential Housing
A. Summary of Agreement
B. Questions
C. Public Comment
D. Motion | John Gray |
| IV. | Next BOT Meeting: Tuesday, December 17, 2013 | Rob Gidel, Chair |
| V. | Closing Remarks | Rob Gidel, Chair |
| VI. | Adjournment | Rob Gidel, Chair |

AGENDA ITEM

Florida Polytechnic University

Board of Trustees

November 26, 2013

Subject: Approval of Ground Lease Agreement Between The Florida Polytechnic Board of Trustees and VC-FPU Housing I, Ltd, an affiliate of Vestcor Communities

Proposed Board Action

Approve in principle a policy which requires freshman students to live on campus, subject to certain exemptions.

Approve the Ground Lease and Operating Agreement between Florida Polytechnic University and Vestcor Communities. Authorize the Board Chair to execute all documents in support of the Ground Lease.

Background Information

Senate Bill 1994 (2012) requires the University to complete certain facilities by December 31, 2016, including a residence hall or halls containing no fewer than 190 beds. The University admission department believes that the University will increase the probability of converting its first applicants into students accepting enrollment by being able to offer on campus housing to students at the opening of the campus. The University today lacks sufficient capital or borrowing capacity to pay for this initial housing. Its state appropriations for this current fiscal will be consumed predominantly with completing the campus and IST Building construction and assembling its faculty, staff and academic and administrative systems in order to open the campus in August 2014. Unlike when the on campus housing could have been publically financed by the auxiliary services arm of the University of South Florida, the now independent Polytechnic does not have current access to such public financing given its lack of students and no bankable cash flow from auxiliary services and fees. Detailed site planning for the residence halls was not

Supporting Documentation:

Abstract of Ground Lease Terms	Abstract of Operating Agreement Terms
Site Plan	Residence Hall Elevations
Floor Plans	Room Layouts
Draft policy for Freshman Required on Campus	

Prepared by: John Gray, Director of Special Projects

flow from auxiliary services and fees. Detailed site planning for the residence halls was not undertaken by the previous administration prior to the date when essentially all of the planning and facilities personnel were terminated. The housing market immediately surrounding the University's location currently does not justify private development, so an adjacent, off campus solution does not exist at this time. The University was faced with deferring its on campus housing solution until it had a history of student demand, unless it could attract a developer which would use its own cash and bear the heavy risks associated with developing in a start up campus.

The University underwent a competitive selection process to seek such a developer, one who would use its own capital to finance the construction of an initial residence hall in time for the opening of the campus. The University wanted to meet the request of the Admissions team and provide on campus housing for the opening of the campus, and at the same time keep the University's options open for future housing development as the campus population grew and not enter into a multiple housing facility commitment with the developer. The following is the background of the result of this process.

Under this ground lease scenario the University will lease the fee to a third party developer who will use their own funds to construct the first phase of housing. The lease is for a 50 year term for a tract of land in the northeast quadrant of the campus, on which the developer will construct a 5 story, 90,000 square foot residence hall containing +/- 216 bedrooms. Please see the attached building renderings / elevations, floor plans, and room layouts for Board review and requested approval. The various departments within the University have signed off on these plans as acceptable, and all construction documents will pass standard State Fire Marshall and University Building Department permit review prior to construction. The developer will hire a construction manager acceptable to the University to build the project. The developer will contract with a seasoned student housing management company to provide building management, while the University will integrate the residence hall into its campus wide network of physical and technological systems. The University's Student Life team will deliver a robust student life experience to the students in the residence hall as a part of its student life program for the entire student population. The University will provide security and fire notification monitoring as well as physical access control at the building (just as it will provide such at the IST building and all campus facilities), in order to preserve a safe, secure facility for our students, faculty, staff, and visitors. The University will also tie into the hall so students have technological access to the University's data base and the internet for research, gaming, etc.

Design and permitting of the project will commence in November, with construction starting in December 2013 and a completion date of August 2014 prior to the start of classes. Should a delay occur in the opening of the facility, the University and developer have a backup plan to temporarily house the affected students in a safe, secure Lakeland hotel modified to comfortably house our students.

The Ground Lease and Operating Agreement will create certain financial and operational obligations for the University.

1. **Financial.** The University's facilities team has proposed to site the Project in a location that is not part of the initial phased campus development we are currently completing. Not all necessary utilities were being extended to the section of the campus as this "back row residential" area was not to be fully developed until a later phase of the campus based on student population increases and facilities expansion. The master plan envisioned construction of the first hall would take place just to the south of the IST building, adjacent to the central lake system. The proposed location provides a greater number of options for future development to preserve more flexibility for expansion during the early years of the University's life, hence the request to accelerate certain future development costs. The cost is approximately \$465,000 to provide this flexibility.

In addition, the University needs to expand the capacity of the campus' sanitary sewer system. This expansion would have been triggered by the construction of the first building after the IST Building, the expansion will cost \$280,000, and will take the system to > 1,000 bed capacity. Lastly, there is a final set of costs the University has identified and labeled as strongly suggested "building integration costs." Approximately \$205k-\$225k, these costs are viewed by the Facilities and Student Life departments as needed to provide a greatly enhanced security and living experience to the students residing in the hall. Costs are for such improvements as increased security surveillance equipment, monitoring equipment over the building's chilled water cooling system, remote door lock down capability, wireless connectivity to the University's data base, and special fire system notification capability. The University proposes to install and maintain these systems as it does at all campus buildings.

Funding for the University's integration of this residence hall into our new campus is planned to come from two sources. Some costs are permitted to be funded as incurred from the University's current year Education & General (E&G) appropriation. These include asset purchase for security cameras and the like. The larger portion will come advance funding of a total of approximately \$970,000 of our Fiscal Year 2014 Carry Forward. These "Carry Forward" funds are funds remaining in our general fund account at the end of any fiscal year that were not spent by the University on its education expense out of its approximately \$29 million of appropriations received from the State during the fiscal year. Our current estimate for our Carry Forward amount at June 30, 2014 is \$9.6 million. The University is permitted by statute to use its Carry Forward for projects such as the residence hall and site construction to build its campus. Note: Florida Polytechnic University is the only SUS entity which has this special right, given our start up status. The University will undertake to source this advance funding, and replenish these funds by the end of August 2014.

2. **Operational.** During the negotiations with the developer, the developer conditioned its terms and included a requirement for the University to commit to adopting a regulation requiring freshman students to live on campus. This will provide the residence hall developer with a reasonable level of risk aversion with

respect to tenancy. The Student Affairs team is vetting this proposed regulation among the members of the Academic Affairs Committee members to request their approval in principle of this regulation prior to the Board of Trustees discussing the execution of the Lease. The regulation will have a stated term of seven years, and will also include exemptions for freshman students living within a 30 mile radius and other exemptions common among SUS universities who have similar regulations governing freshman living.

Immediately following the completion of the execution of the Agreement for the first residential hall, the University expects to begin the planning for a second residence hall in order to be prepared for how to house our expected enrollment growth. The financial constraints surrounding the University and the State's negative view of issuing debt for such facilities as residence halls will not have changed by the first quarter of 2014 when development and financing plans should be started. The University would prefer to maintain a relationship with its proposed developer to avoid competing ownership on campus. We expect that the terms and conditions of a development agreement for a second residence hall of similar size will not be substantially different from that experienced with the structure of the first residence hall. Should our enrollment activity, however, require a much larger development plan be planned, the University will most certainly need to revisit the economics of a proposed ground lease structure. Until the University reaches a point where it has a demonstrable housing demand and can meet the strict requirements of the state for obtaining its own financing, adding residential space on the campus will continue to be a challenge. Off campus housing will probably still not be an alternative for a further year or two as a way to provide acceptable housing adjacent to the campus, but we will continue to talk with the Williams Company to see if they would be willing to create some opportunity on their land.

Recommendations from University staff:

1. Recommend the approval in principle of a policy requiring freshman students to reside on campus, subject to certain agreed exemptions. Staff to draft the policy for future consideration and adoption,
2. Recommend approval of proposed Ground Lease Agreement with Vestcor Communities,
3. Recommend approval of staff to source an acceptable funding mechanism to pay for the accelerated development costs and other costs to integrate the first residence hall into the campus networks.

Abstract of Ground Lease Agreement Terms

- Form of Agreement. Ground lease. Fee simple ownership of state land remains with the University.
- Parties. 1) Lessor - Florida Polytechnic University Board of Trustees, and 2) Lessee – VC-FPU Housing I, Ltd., a Florida limited partnership.
- Term. 50 years. May be extended upon mutual agreement of the parties.
- Rent. \$100 per year, plus as additional rent 10% of excess cash after Developer pays an 8% return on capital to its investors. Estimate of rent to University is \$10k-\$15k per year once occupancy is stabilized.
- Project. A 216 +/- bedroom, 5 story facility with mostly 4 bedroom 2 bath suites. Steel and concrete superstructure and metal panel / stucco exterior. Kitchenette and washer/dryer in each suite, plus very nice upgraded features. Full wireless system access to University files for “all campus all the time.” Common areas on ground floor include study rooms, game room, fitness facility and others. Chilled water system in the building and integrated into the University’s master system. Security monitoring devices connected to the University’s master system.
- Improvements. Developer installs building, landscaping, lighting, sidewalks.
- Maintenance. Developer’s third party management company manages the facility from on-site offices. University performs certain tasks for a fee that are more efficient to be handled by the master campus team (landscaping, security).
- Completion Date is on or before August 19, 2014 (5 days prior to first classes).
- Design. Building and landscaping is to meet the University’s Master Plan design criteria.
- Parking. Residents and office staff are permitted to use on campus parking at standard University parking rates.
- Construction Meetings. Weekly coordination meetings to be held between the Developer and University.
- Purchase of the Building. Right of first refusal allows University to match a bona fide offer made to Developer. University always has the right to make an offer to purchase.
- Utilities and Other University Development Obligations. University must complete its master site infrastructure under construction and open the campus (ring road, lakes, sewer, water, etc). University, at its expense, delivers all utilities including chilled water to near the building by June 30, 2014, when Developer then connects to its building.
- Late Completion. If the residence hall does not open on time, Developer arranges for and pays a local hotel acceptable to University to house, secure, and transport students until the Project is complete and then move the students to campus. Students pay a reduced rent to Developer during this time. Developer’s third party management company is fully engaged prior to and during this time in the hotel, if the temporary need arises. If the University is late with its obligations, it pays to Developer the daily rate for the above.
- Policy For Freshman Students Required To Live On Campus. Other than for freshman students determined to be exempt (freshman students living inside a 30 mile radius, married, etc.), all freshman students will be required to spend their first two semesters on campus. If a second dorm is built and not built by the Developer, the Developer’s dorm

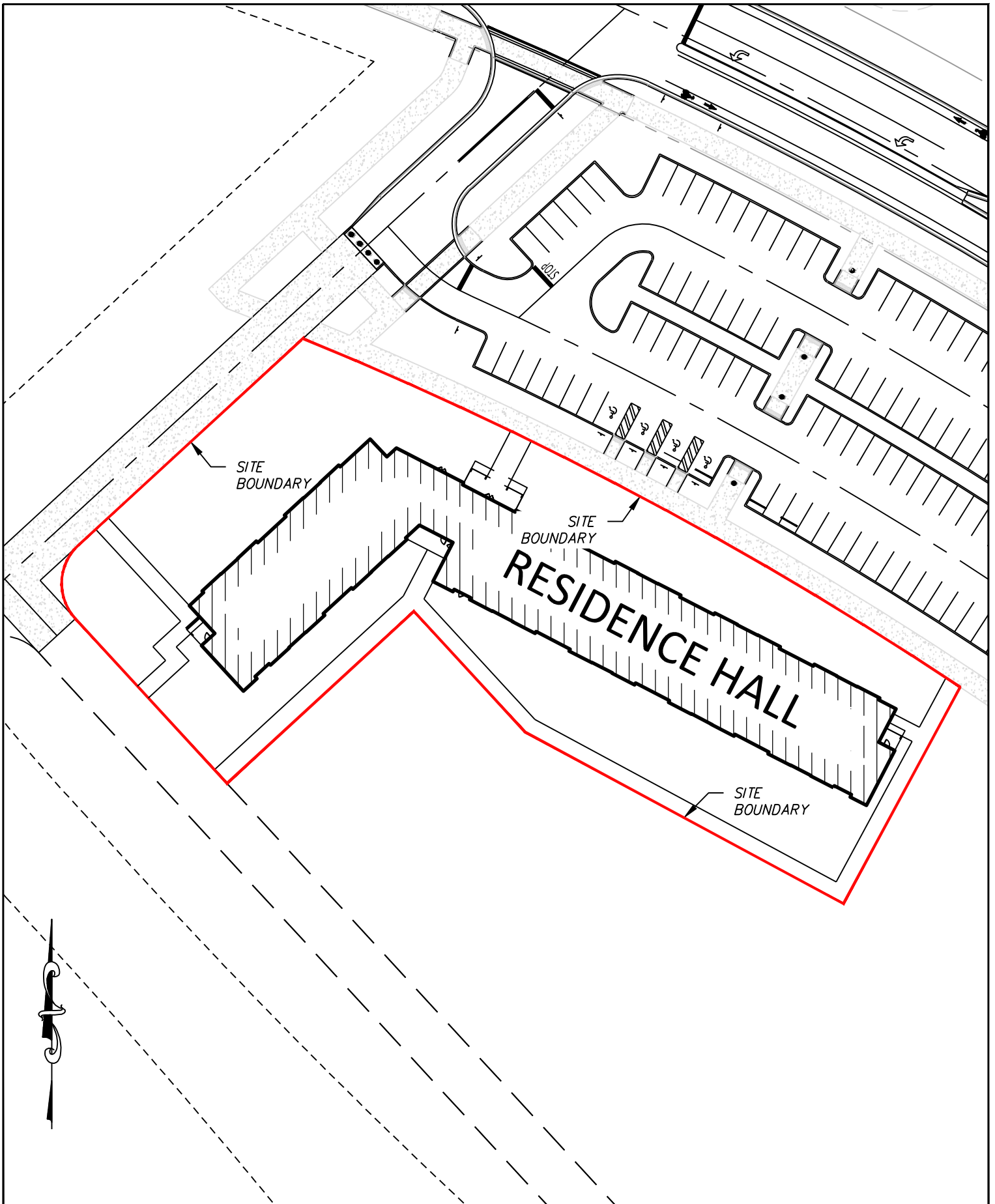
Abstract of Ground Lease Agreement Terms (continued)

will be flagged as the “freshman dorm” for the lesser of 7 years or as long as there are enough beds to cover all registered freshman students (provided the FLBOG agrees to such designation at the time of construction of the second dorm).

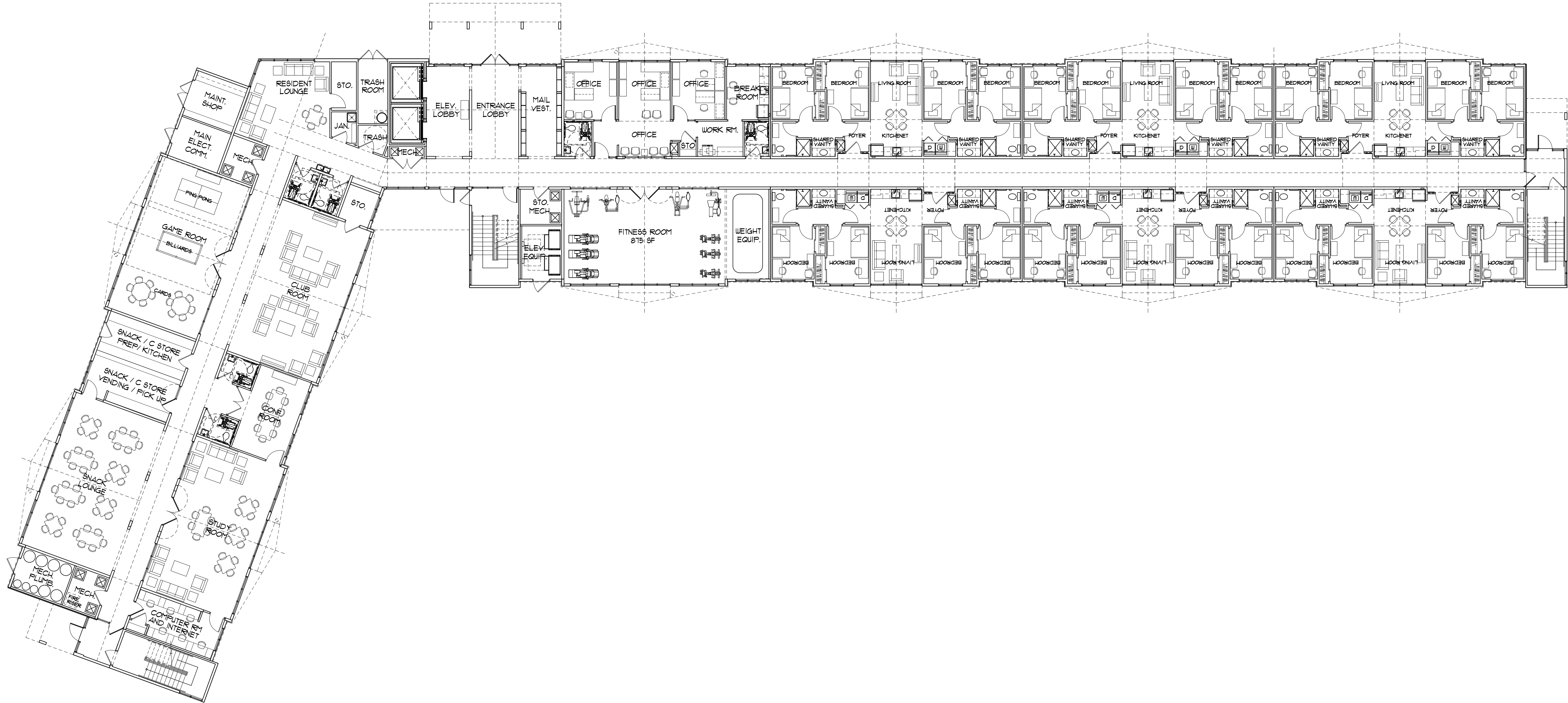
- Eligible Residents in the Facility. Full time University students, faculty, limited staff, and summer conference attendees only in the building, not “open to public.”
- Insurance. Standard SUS requirements required of Developer.

Abstract of Operating Agreement Terms

- Manager. VC-FPU Housing I, Ltd., a Florida limited partnership.
- Lessor. Florida Polytechnic University Board of Trustees.
- Manager’s Property Management Company. Ambling Management Company.
- Assignment. May not be assigned without approval of University, in its sole and absolute discretion.
- Performance Standard. Manager must maintain and operate the building to the same level and using same standards and practices as with other similar Projects in the SUS system.
- Term. Sixty days prior to residence hall certificate of occupancy, until termination of Ground Lease. Manager to perform duties twenty-four hours a day seven days a week.
- Reporting. Manager to provide quarterly reports on leasing results and marketing efforts. Student complaints and requests will be made to Manager as well as through University’s Student Life Department to ensure good coordination and handling of student affairs.
- Services Provided By Manager Through Property Management Company. Building maintenance, marketing, leasing, billing, initial contact with students for maintenance issues, resident assistant training, student life programming.
- Services Provided by University. Building security, security camera monitoring and maintenance, access control to main doors, fire system notification, exterior landscaping, parking (standard fees apply), chilled water supply. Fees charged for most of these activities.
- Student Activities. Alcohol, fighting etc., - all infractions – the processes will all be handled using the University’s Code of Conduct to be adopted and as amended.
- Indemnification. Manager indemnifies Lessor against liabilities caused by Manger’s actions.
- Events of Default by Manager. Material breach or non-performance of obligations left uncured, abandonment of Project, Manager bankruptcy. Operations Agreement is cross defaulted with Lease Agreement.



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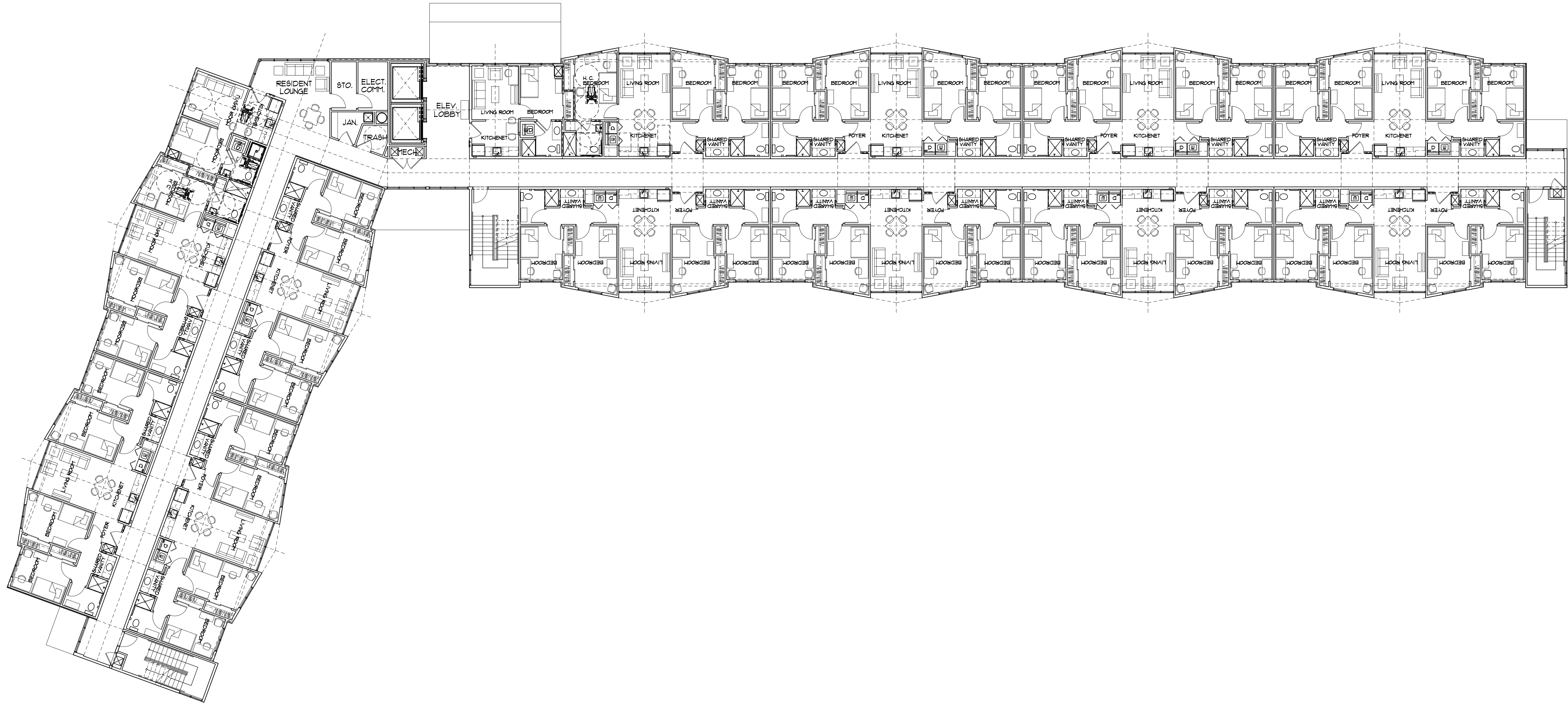
3/32" = 1'-0"
1 FIRST FLOOR PLAN
17,520 SF

JOB NO.	DATE	ISSUE/REVISION
13016	10/03/13	
	KRA	
	CHECK	
	ACCEPTED	

FLORIDA POLYTECHNIC
Student Housing

FIRST FLOOR PLAN

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3/32" = 1'-0"

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TYPICAL FLOOR PLAN
FLOORS 2 THROUGH 5

18,070 SF PER FLOOR

JOB NO. 13016

DATE 10/03/18

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FLORIDA POLYTECHNIC
Student Housing

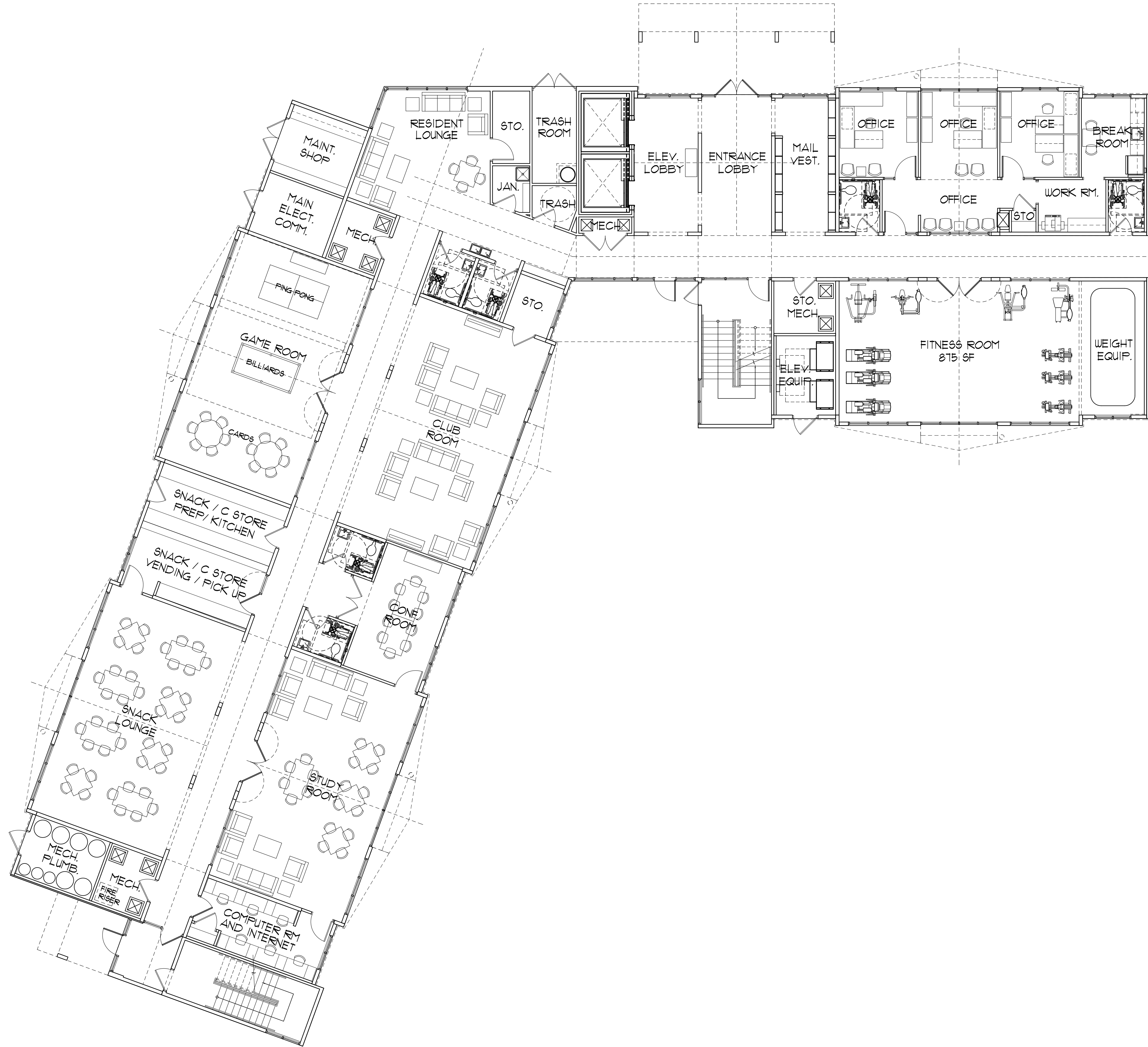
TYPICAL FLOOR PLAN

DRAWING
A-2

JOB NO.	DATE	ISSUE/REVISION
13016	10/03/18	
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ACCEPTED	RO	

**FLORIDA POLYTECHNIC
Student Housing**

ENLARGED FIRST FLOOR



3/16" = 1'-0" **1** ENLARGED FIRST FLOOR
COMMON AREA

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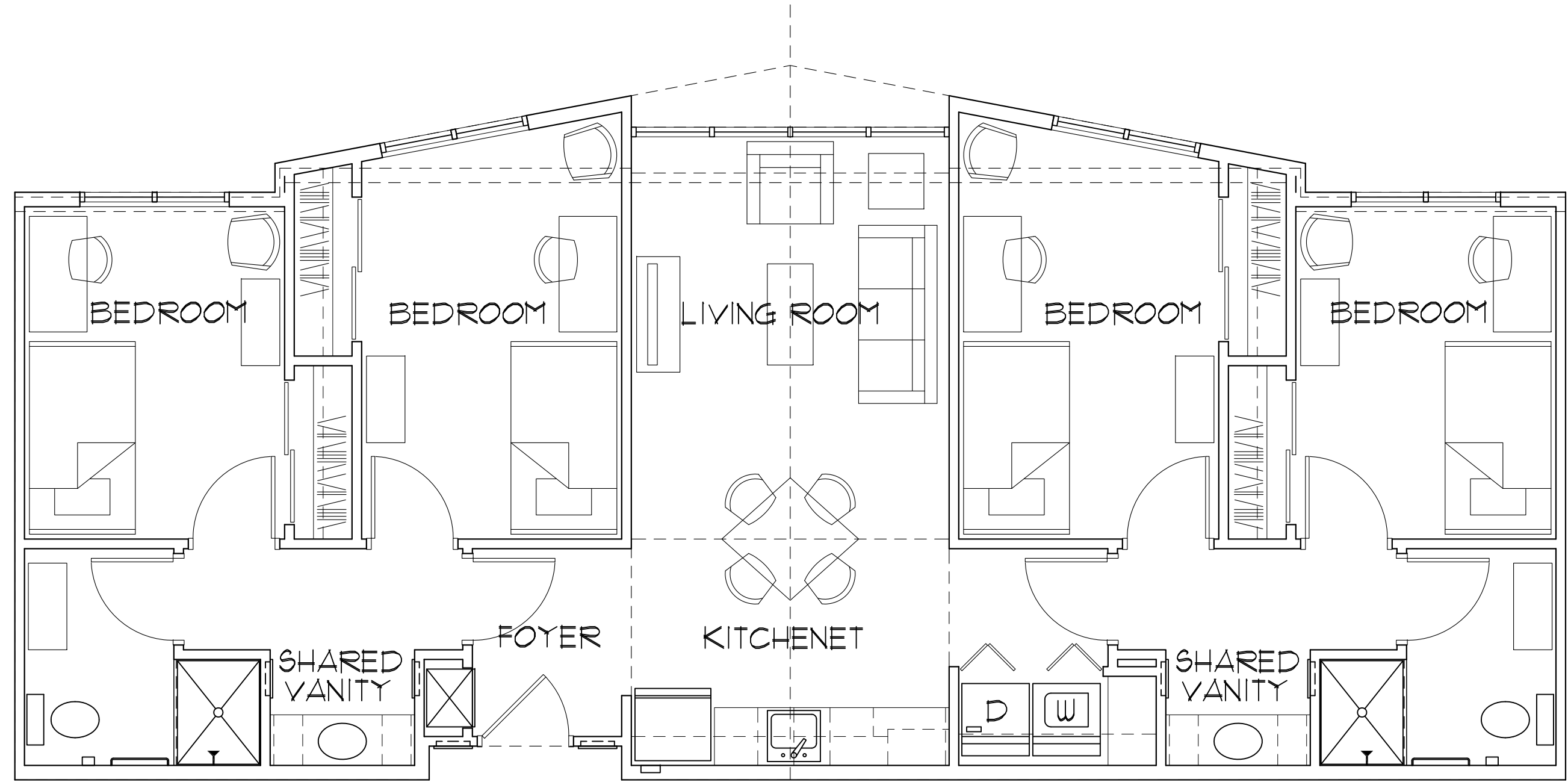
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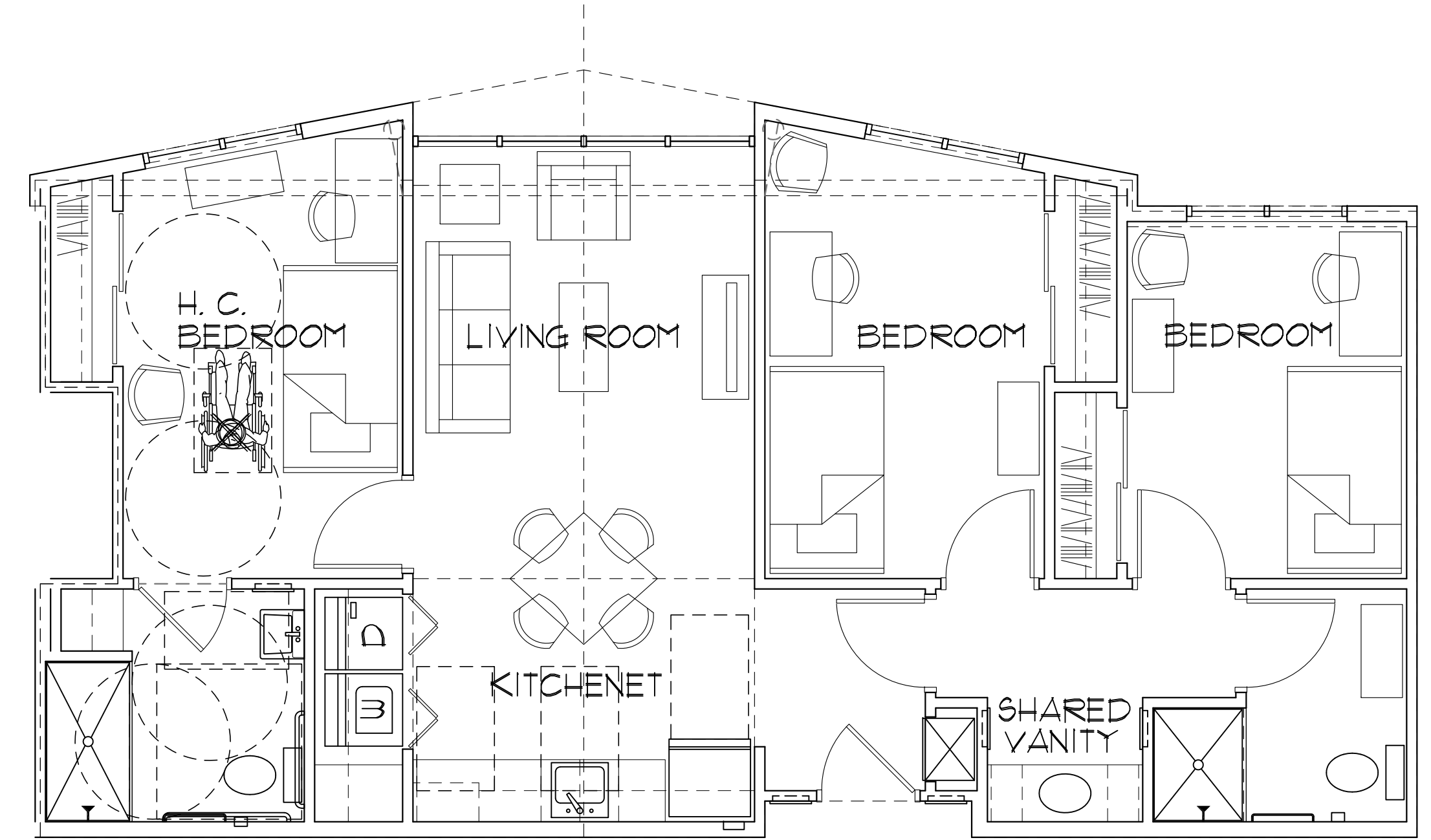
**FLORIDA POLYTECHNIC
Student Housing**

DORM UNIT FLOOR PLANS

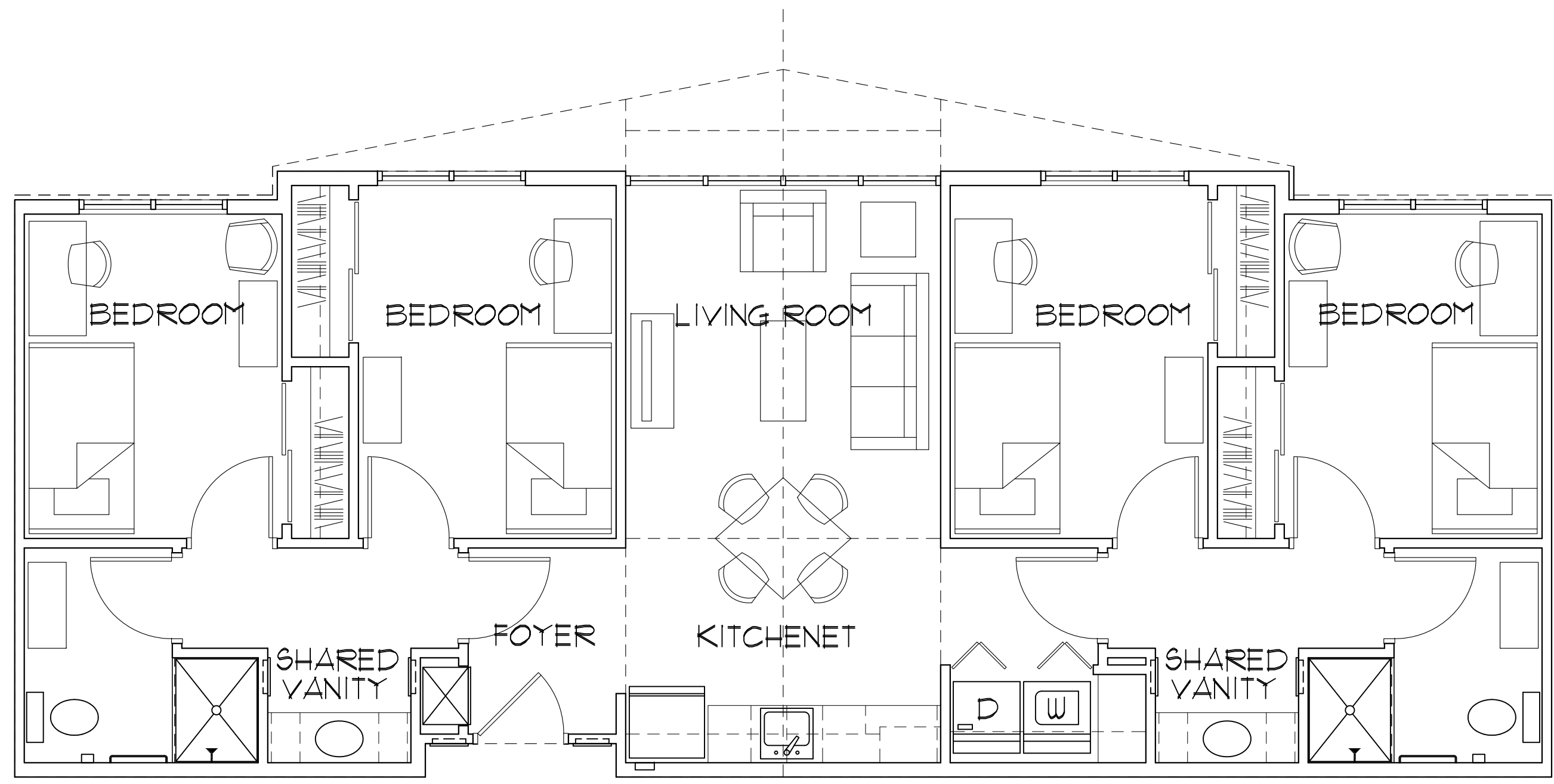
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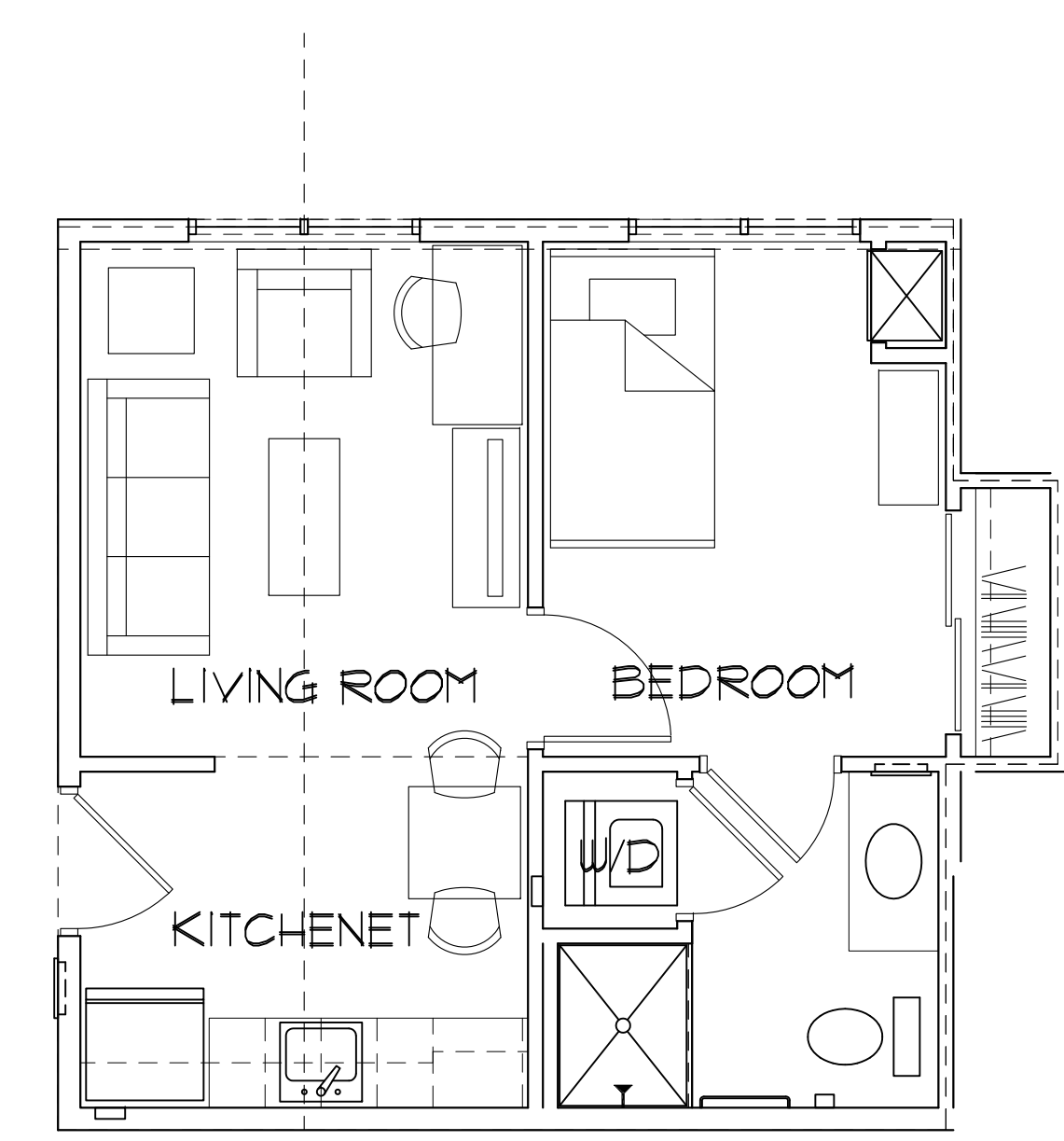
1/4"=1'-0" **1** 4 BR DORM UNIT UPPER FLOORS 40 UNITS / 160 BEDS 1,162 S.F.



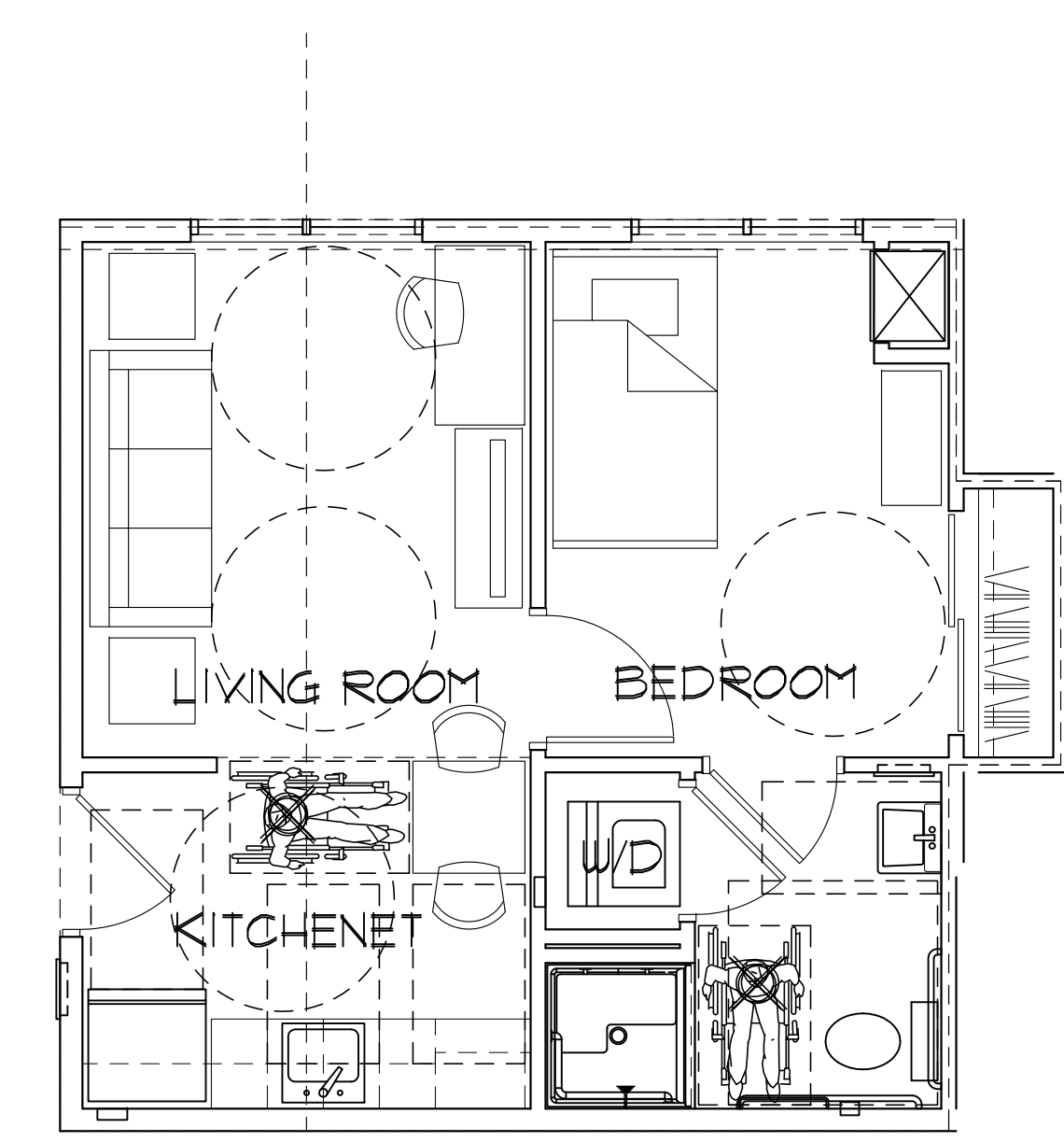
1/4"=1'-0" **3** 3 BR DORM UNIT / HC ACCESSIBLE UPPER FLOORS 8 UNITS / 24 BEDS 954 S.F.



1/4"=1'-0" **2** 4 BR DORM UNIT FIRST FLOOR 6 UNITS / 24 BEDS 1,108 S.F.



1/4"=1'-0" **4** RA UNIT 6 UNITS / 6 BEDS 422 S.F.



1/4"=1'-0" **5** RA / HC UNIT 2 UNITS / 2 BEDS 422 S.F.

EXHIBIT "B -3" TO GROUND LEASE AGREEMENT

PROJECT DESCRIPTION

STRUCTURE INFORMATION

- 5 story structure
- Approximate 89,000 sf gross
- Building Type: **[insert additional language]**
- Approximately 216 bedrooms
- Concrete slab with spread footings
- Concrete or metal deck floors
- Exterior elevation is a combination of metal panels and stucco
- Building envelope is supported by metal framing and dens glass on the exterior
- Flat roof system
- Two elevators, stainless steel cab with laminate panels; operated with card / key system access
- Aluminum windows in bedrooms
- Storefront windows in living room common area
- Chilled water cooling system
- Trash chute system and ground floor collection room
- Class B addressable fire alarm system (dependant on premium over system required per code)
- Fire sprinkler system throughout
- Carpeting in the following areas: all residential hallways, offices, first floor clubhouse areas
- Ceramic tile, LVT, or equivalent in elevators, foyer, ground floor common areas
- Adjacent power generator (screened)
- Site landscape and lighting to code and Lessor design requirements

RESIDENTIAL UNIT INFORMATION

- Suite bedrooms each to be individually lockable
- Bedrooms each include one full bed mattress and frame, dresser, nightstand, desk, desk chair, internet access port and optional video service outlet
- Kitchenette; corian/granite/laminate island and counters with a sink and faucet
- Wood cabinets (42" upper cabinets and counter height lower cabinets) with stainless hardware
- Microwave, refrigerator and disposal (Whirlpool, GE or equivalent)
- Washer / dryer in each unit (Whirlpool, GE or equivalent)
- Fiberglass shower enclosure one piece (42", w/ 48" ADA shower) with low flow shower heads
- Cultured marble vanity counters with integral sinks and low flow faucets

- Elongated toilet bowl with efficient flush
- Vinyl flooring in common areas; living room, laundry room, kitchen, pantry
- Vinyl flooring in bath areas
- Common space to include couch, sofa chair, side table, dining table and 4 chairs (Blue Furniture Solutions or equivalent brand)
- Ceiling fans in common area and each bedroom
- Vinyl window blinds
- 42" widescreen TV (Vizio or equivalent) in living room
- Exposed ceilings in bedrooms and living room. Exposed steel beams and metal deck to provide urban loft or industrial feel

OTHER

- Fitness room. Approximate 1,200 SF. Rubber flooring (at least 3/8"). Commercial grade (Precor or equivalent) weight machines, cardiovascular machines, with dumbbells with televisions, mirrored walls and water cooler
- Common areas of approximately 8,000 SF including clubroom, study rooms, snack lounge, internet café, billiards room, and gaming area, all designed by interior design firm with a layout similar to that shown in Exhibit B-2.
- Common areas to have millwork and upgraded cabinets and counters

