

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
Project Summary  
University of South Florida  
Grocery Store Project**

**Project Description:** The proposed grocery store (the “Project”) is to be an approximately 29,000 square foot building with approximately 145 parking spaces and will comprise a single story building with appropriate landscaping, green space and pedestrian connections.

The Project will be designed and constructed by Publix Super Markets, Inc., (the “Owner” or “Publix”). The University of South Florida (“USF” or “University”) will enter into a 21-year ground sublease (including construction) with the Owner to design, construct, finance, operate and maintain the Project on the USF campus. The Owner retains the Project throughout the 21-year term of the ground sublease. The Owner will also have the option of six (6) five (5) year renewals, so long as the Owner is not in default. Thus, the potential term is 51 years, expiring in 2067. The ground sublease is subject to the approval of Board of Trustees for the Internal Improvement Trust Fund, which holds title to the property on behalf of the State of Florida. USF’s lease with the State expires in 2073.

The Project is consistent with the master plan of the University and was approved in the General Appropriations Act passed during the 2015A special session. The store will be branded with the USF name and USF believes it provides a desired amenity and student employment opportunities.

**Project Site Location:** The Project will be located at a USF campus entrance in Tampa on the southeast corner of Fletcher Avenue and North Palm Drive. The site sits at a secondary entry point on the backside of the campus and contains minimal surface parking with the balance being undeveloped green-field property. The site borders USF’s Andros Housing complex on one side and Fletcher Avenue on the other side. The Project is sized based upon student need, and will be larger than a convenience store, but smaller than a regular grocery store. Upon completion of the Student Village Public-Private Partnership redevelopment, 10,465 student beds will be located within walking distance of the grocery store or easily reached via the campus shuttle.

USF believes the land (directly on Fletcher Avenue) is undesirable for development of an academic facility due to being adjacent to existing housing facilities and insufficient storm water infrastructure.

(See Campus Map)

**Projected Start and Completion Date:**

It is anticipated that construction will commence in mid-February 2016 and Project completion scheduled in late 2017.

**Project Cost:**

The total cost of the Project is estimated at \$12.2 million, which includes construction costs of approximately \$7.5 million, site work costs of \$2.7 million, and other soft costs of \$2 million. Estimated costs do not include store equipment.

(See estimated Sources and Uses of funds.)

**P3 Justification:**

USF proposes to construct, finance, operate and maintain the Project utilizing a public-private partnership (“P3”). The benefits of the P3 structure include USF’s receipt of the amenity without incurring debt for the Project and receipt of revenue under the ground lease to support student success initiatives.

USF will not be required to provide any support for construction, operation, nor maintenance of the Project. Construction risk, operational risks and capital maintenance requirements are entirely born by the private partner under the lease.

**Financing Structure:**

The Project is expected to be funded with cash from the Owner and not with project debt. No debt is being incurred directly or indirectly by the University. Additionally, the University is not obligated to provide any financial or operational support for the Project.

**Procurement:**

USF used the Invitation to Negotiate (“ITN”) process, which is a public and competitive procurement method, to ensure the selection of a highly qualified vendor. The ITN was publicly posted and USF staff solicited participation from vendors they believed met the solicitation criteria. The ITN contained specific evaluation criteria as noted below. Additionally, it included that the University would make the award to “the most responsive and responsible Interested

Party whose final proposal is determined to be the most advantageous to the University". The award to Publix was based on its financial strength and agreement to substantially meet all of the required Project components and lease terms, including the requirement to co-brand the store and hold job fairs on campus to facilitate student employment.

The ITN requirements included:

- Participation by a partner with financial resources sufficient to build and operate the Project.
- Amount and value of ground rent paid to the University.
- Construction consistent with Class A institutional quality; compliance with University building codes, standards and regulations; meet minimum requirements set forth by USF's design guidelines, which includes LEED Silver Certification by the US Green Building Council; and incorporate an architectural theme consistent with buildings on the Tampa campus.

Other expectations identified by USF in the ITN included:

- The Owner can start the Project at a time deemed reasonable by both parties with a delivery date defined in the Ground Lease.
- Provision of an appropriate amount of parking, as specified by USF.
- Coordination of the Project's development with any development plans of USF for other projects in the area.
- Promotion of regional economic development and the use of local and Florida vendors.

While only one vendor responded, it met the specified requirements listed above. USF was not legally required to issue another ITN, or extend the solicitation period.

The original response was received in March 2015, and it has taken until January 2016 for USF and Publix to complete all the process steps required by a public procurement.

**Security/Lien Structure:** The Owner will receive a leasehold interest in the site and will own the Project. Upon expiration of the ground sublease, ownership of the Project will revert to USF. The executed ground lease will include events of default with the University's rights dependent upon the nature of default including but not limited to termination due to non-payment of rent.

**Return on Investment:** USF and the Owner will enter into a 21-year (including construction) ground sublease. The initial term is in compliance with the P3 Guidelines that allow for a 40-year term. However, given the six, five-year renewal options, exercisable solely at the option of the Owner, the effective term of the lease is 51 years.

USF hired Colliers International Valuation and Advisory Services ("Colliers") to provide a Restricted Appraisal Report (the "Appraisal") in January 24, 2015. Colliers estimated that an annual achievable rent range would be \$4.50 to \$7.00 per square foot. The base rental payment negotiated by USF is approximately \$4.51 per square foot, on the low end of the range provided by the Appraisal. The University will receive an annual base rental payment from the Owner of \$130,000 per year, escalating 10% every five years based on an improvement size of approximately 29,000 square feet. USF will receive approximately \$3 million over the 21-year lease term and \$10.4 million if all renewal options are executed.

There is no purchase option in the ground sublease for USF, however, the University will receive ownership of the Project at the end of the lease term or require the Owner to demolish the Project at its own expense.

**Quantitative Demand for Project:**

No financial feasibility/demand studies have been completed by USF because it has no interest in the financial performance of the Project. There are two other grocery stores near the USF campus. However, due to the distance and volume of traffic on the intersections where these stores are located, walking or biking are unsafe and impractical options requiring a car to purchase groceries off campus. Since not all students have a vehicle some find trips to a grocery store problematic.

**University Support of Project:**

The Project costs will not be a legal obligation of USF or any of its Direct Support Organizations and USF has not pledged its credit or committed any financial assistance toward the Project. Any taxes levied on the Project, including real property taxes, are the sole responsibility of the Owner.

Under the ground sublease, the Owner will submit Project plans to USF for approval. USF will review for compliance with USF building codes, regulations, and consistency with USF's Master Plan goals and objectives. USF will also work with the Owner's architect and engineer to ensure the required permits are obtained. The Owner will pay USF a one-time fee of \$60,000 to cover the cost of processing permits and conducting inspections.

**Analysis and Conclusion:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by the University with respect to the request for Board of Governors approval for the Project. The Project appears to meet the factors specified in the P3 Guidelines for consideration of a project by the Board.

The Project will provide a desired amenity with no direct or indirect financial risk to the University in exchange for revenue to allocate toward student success initiatives and provide employment opportunities for students. The Project was legislatively approved in the General Appropriations Act passed during the 2015A special session.

As part of its review, the Board should consider whether having a grocery store on campus serves a legitimate need for the University and is adequate justification for the Project. Also, the Board should evaluate whether the loss of the property for the term of the lease is appropriate in light of other potential University needs and whether the University is receiving fair value for the ground lease given that the rent payment is on the low end of the appraisal.

Accordingly, Board of Governors staff recommendation is adoption of the resolution.