

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
August 31, 2017**

SUBJECT: A Resolution of the Board of Governors approving Florida International University to enter into a sublease for the construction, operation and maintenance of a hotel, conference center and parking on the Modesto Maidique Campus of the Florida International University.

PROPOSED COMMITTEE ACTION

For Discussion

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 Florida International University has reviewed a proposal for entry into a sublease for the construction of a hotel and conference center (the "Project") utilizing a Public-Private Partnership arrangement. The proposed project is to be located on the Modesto Maidique Campus ("MMC"), the main campus. The Project will be a 150 bed hotel, approximately 154,000 gross square foot building with amenities such as a pool and restaurant with approximately 300 parking spaces.

The Project cost of \$59.3 million will be financed by the Owner, who is proposing the use of equity in the amount of 40% and a construction loan for 60% of all of the cost of design, development and construction of the Project. The Owner will grant a leasehold mortgage to the lender to secure the loan. The Owner will receive 3.5% of total costs or approximately \$2.3 million as a fee for development services. The Owner will also construct an alumni center on the property at a cost of approximately \$8 million, which will be paid for by FIU. The alumni center will be owned and operated by FIU.

For use of the land, the Owner will pay FIU a base rent of \$210,000 annually, which will escalate by the by 5% every 5 years. FIU will also receive additional payments as part of profit sharing starting at 6%, once the cash return on the Project reaches 10%. The Owner will also be required to reserve 2% of gross revenue, escalating to 4% by year four of operations, for maintenance and repair of the Project.

The Florida International University Board of Trustees, at its June 1, 2017 meeting, approved the Project and the sublease.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Estimated Sources and
Uses of Funds
4. Historical and Projected Pledged
Revenues and Debt Service
Coverage

Facilitators/Presenters: Mr. Chris Kinsley