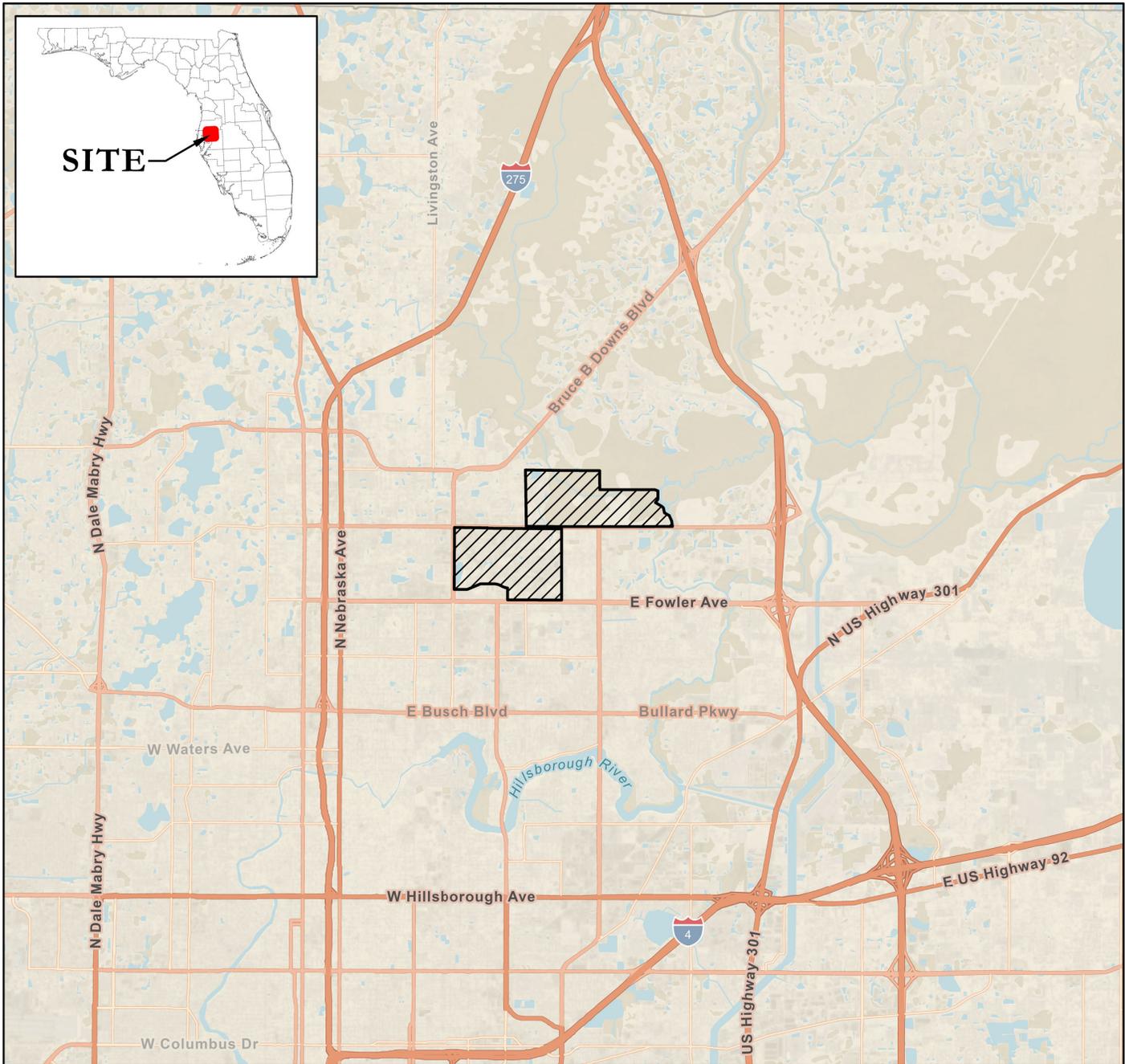




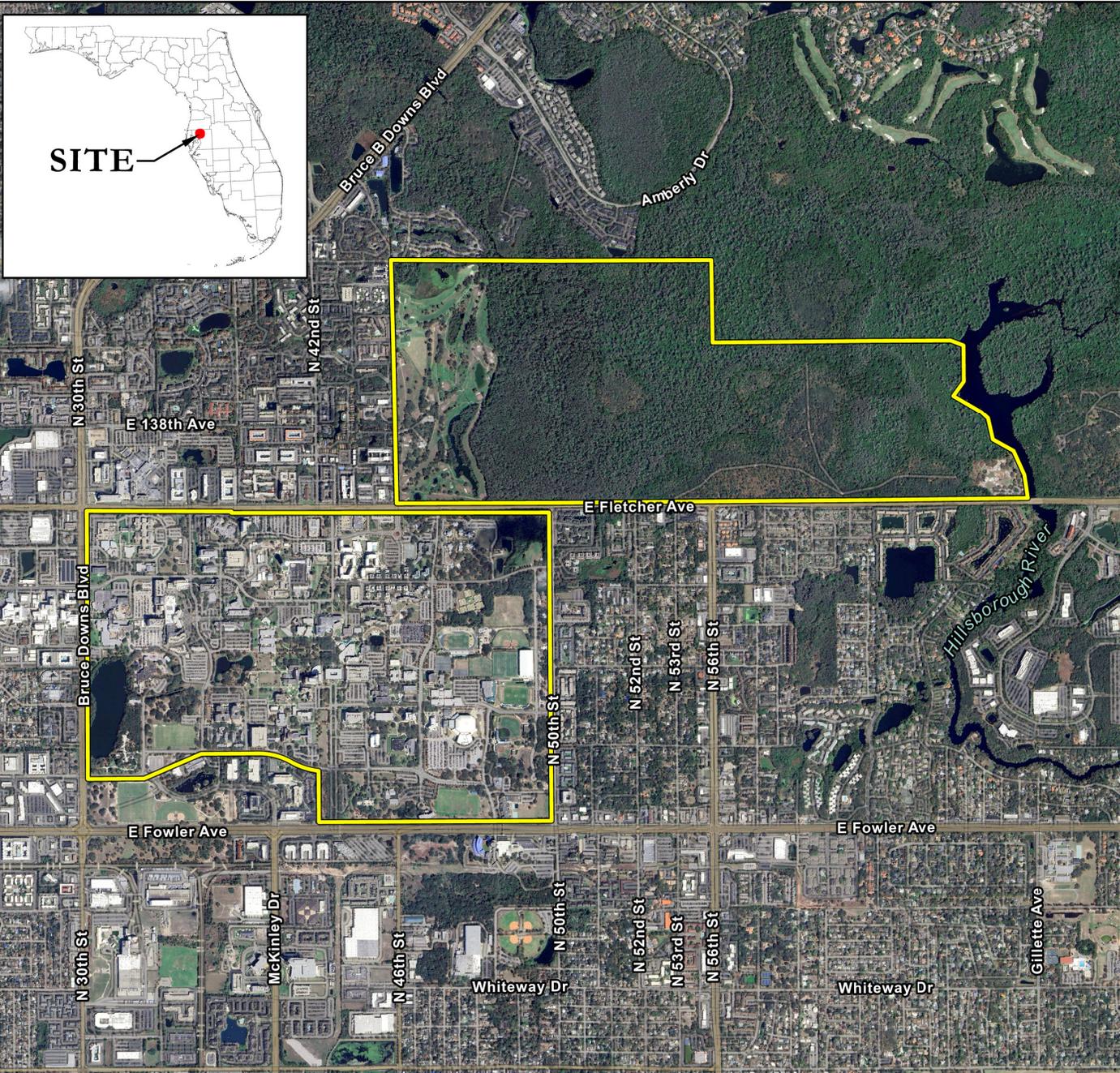
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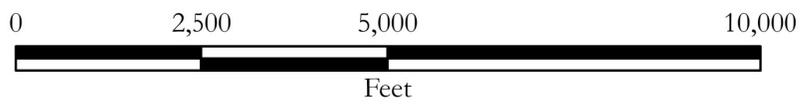
 Subject Parcels



**University of South Florida**  
Lease 2725  
Hillsborough County, Florida



 Subject Parcels



University of South Florida  
 Lease 2725  
 Hillsborough County, Florida

**A RESOLUTION CONTINGENTLY AUTHORIZING THE UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES TO ENTER INTO A MASTER DEVELOPMENT AGREEMENT, CERTAIN GROUND SUBLEASE AGREEMENTS, AND RELATED AGREEMENTS WITH ACE FLETCHER, LLC, RELATED TO THE DESIGN, CONSTRUCTION, FINANCING, OWNERSHIP, OPERATION, MANAGEMENT, AND MAINTENANCE OF THE PROPOSED 'FLETCHER DISTRICT' MIXED-USE DEVELOPMENT ON THE CAMPUS OF THE UNIVERSITY, PROVIDING AN EFFECTIVE DATE.**

The duly acting and appointed Board of Governors of the State of Florida at a meeting duly held pursuant to notice and a quorum being present do hereby make the following resolutions:

**BE IT RESOLVED:**

**1. Findings.** The Board of Governors hereby finds as follows:

(A) Pursuant to Article IX, Section 7, of the Florida Constitution, the Board of Governors is vested with the power to operate, regulate, control, and manage the State University System of Florida. Pursuant to section 1013.171, Florida Statutes, a university board of trustees may negotiate and enter agreements to lease land under its jurisdiction to corporations registered with the Secretary of State to do business in the state, for the purpose of erecting facilities necessary and desirable to serve the needs and purposes of the university, as determined by the system-wide strategic plan adopted by the Board of Governors.

(B) On September 9, 2025, the Board of Trustees of the University of South Florida (the University or USF) adopted a resolution requesting approval from the Board of Governors for the University to enter into a Public-Private Partnership arrangement with ACE Fletcher, LLC, (ACE) to design, construct, finance, manage, and maintain a mixed use development consisting of student housing, multi-family housing, commercial retail space, and a hotel and conference center (the Project) via a master development agreement, certain ground sublease agreements, and other related agreements.

(C) The Project assets will be privately owned and financed by ACE or the ground sublessees. Depending on the asset, financing will take the form of tax-exempt bonds issued by a not-for-profit organization or a debt/private equity structure.

(D) The Project will be located on the University's main campus in Tampa, Florida, on a 138-acre site on Fletcher Drive previously occupied by the USF golf course, and the University will enter into ground subleases with ACE and its members.

(E) No liens will be placed on state lands (the subject parcel) because of this proposed P3 transaction. Likewise, there are no financial guarantees, subsidies, operating deficit funding requirements, or similar monetary obligations on the part of USF in relation to the Project's design, construction, management, operation or maintenance, and no such financial support will be provided at any point during the term of the ground subleases.

(F) Upon the expiration of the ground subleases, the Project and all associated improvements will revert to the University at no cost to the University. If, in the future, the University intends to exercise any optional termination/purchase option for the facilities, the proposed transaction should be brought back before the Board of Governors for review and approval.

(G) The sublease documents with ACE must establish minimum condition standards for property maintenance and robust default remedies that will ensure that the Project is consistently and constantly maintained in good condition throughout the term of the subleases.

(H) Upon consideration of the Project, the Board of Governors declares that the Project has been properly analyzed by staff of the Board of Governors, the University, and the Division of Bond Finance and will serve a public purpose by providing student housing, multi-family housing, commercial retail, and hotel and conference center resources.

**2. Approval of the Project.** The Project is approved by the Board of Governors as being consistent with the strategic plan of the University and the programs offered by the University. The University is hereby authorized to enter into such master development agreement, ground subleases, operating agreements, administrative services agreements, and any other contracts as may be required to consummate the Public-Private Partnership, contingent upon the following:

- 1) Legislative authorization of the Project, pursuant to sections 1010.62 and section 1013.171, Florida Statutes.
- 2) Board of Trustees of the Internal Improvement Trust Fund approval of the extension of the University's 99-year master ground lease for the subject parcel of the Project, as well as approval of two 99-year ground subleases for the 'Hotel' and 'Retail' components of the Project.
- 3) Amendment of the USF campus master plan to include the Project, pursuant to sections 1010.62 and 1013.30, Florida Statutes.

**3. Repealing Clause.** All resolutions of the Board of Governors, or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

**4. Effective Date.** This resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED by the Board of Governors of the State of Florida at a public meeting duly called and held this 6th day of November 2025.

**CERTIFICATE OF THE CORPORATE SECRETARY**

The undersigned, Corporate Secretary of the Board of Governors, does hereby certify that the attached resolution contingently authorizing the University of South Florida Board of Trustees to enter into a master development agreement, certain ground sublease agreements, and related agreements pertaining to the design, construction, financing, ownership, operation, management, and maintenance of the proposed Project, is a true and accurate copy as adopted by the Board of Governors on November 6, 2025, and said resolution has not been modified or rescinded and is in full force and effect on the date hereof.

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

Dated: November 7, 2025

By:   
Corporate Secretary

State of Florida  
Department of Natural Resources  
Division of State Lands

Document Conversion

**FILE HEADER SHEET**

**FILE #:** 2725 (1)

JH:05/16/91:Alpha Systems

STATE OF FLORIDA  
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND

LEASE AGREEMENT

No. 2725

(1)2725

WHEREAS, State of Florida Board of Trustees of the Internal Improvement Trust Fund holds title to certain lands and property being utilized by the State of Florida for public purposes, and

WHEREAS, State of Florida Board of Trustees of the Internal Improvement Trust Fund is directed and authorized in Section 253.03, Florida Statutes, to enter into leases for the use, benefit and possession of public lands by State agencies which may properly use and possess them for the benefit of the State;

NOW, THEREFORE, this agreement made between STATE OF FLORIDA BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND as LESSOR, and the FLORIDA BOARD OF REGENTS, as LESSEE,

WITNESSETH:

The parties, for and in consideration of mutual covenants and agreements hereinafter contained, hereby covenant and agree as follows:

1. The lessor does hereby lease to the lessee the following described premises in the County of Hillsborough, State of Florida, together with the improvements thereon:

All those certain lands known as the University of South Florida properties as described in deed from the State Board of Education of Florida to the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida and recorded in Official Records Book 2403, Pages 471-473 of the public records of Hillsborough County, Florida.

Sec 8, 9  
285  
19E

LEGAL DESCRIPTION APPROVED  
AND  
THIS INSTRUMENT WAS PREPARED BY  
JAMES T. WILLIAMS  
ELLIOT BUILDING  
TALLAHASSEE, FLORIDA 32304

TO HAVE AND TO HOLD the above described land for a period of Ninety-nine (99) years from the date hereof, for the purposes of developing, improving, operating, maintaining and otherwise managing said land for public purposes.

2. The lessee shall have the right to enter upon said land for all purposes necessary to the full enjoyment by said lessee of the rights herein conveyed to it.

3. The lessee shall through its agents and employees cooperate to prevent the unauthorized use of said land or any use thereof not in conformity with this lease.

4. This lease shall terminate at the sole option of the lessor, and the lessee shall surrender up the premises to the lessor, when and if said premises, including lands and improvements, shall cease to be used for public purposes. As used in this agreement, the term "public purposes" shall mean all or any of the purposes, actions or uses which the law authorizes to be done or performed by the lessee or by any of the officers, agents or employees of the lessee for and on behalf of the lessee. Any costs arising out of the enforcement of the terms of this lease agreement shall be the exclusive obligation of the lessee, payable upon demand of the lessor.

5. The lessor does not warrant or guarantee title, right or interest in the hereinabove described property.

6. The lessor or its duly authorized agents shall have the right at any time to inspect the said land and the works and operations thereon of the lessee in any matter pertaining to this agreement.

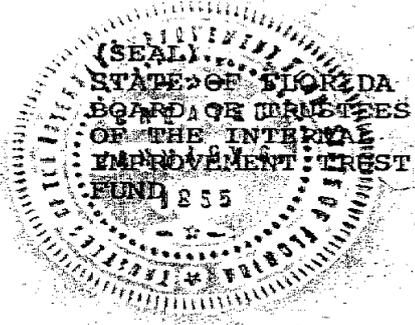
7. Any inequities that may subsequently appear in this lease shall be subject to negotiation upon written request of either party, and the parties agree to negotiate in good faith as to any such inequities.

8. This agreement is for public purposes and the lessee shall have the right to enter into further agreements or to sublease all or any part of the within land so long as the agreement and/or sublease shall effectively carry out and further the general purposes herein described after written notice to and right of rejection by the lessor.

9. The lessee hereby covenants and agrees to investigate all claims of every nature at its own expense, and to indemnify, protect, defend, hold and save harmless the State of Florida Board of Trustees of the Internal Improvement Trust Fund and the State of Florida from any and all claims, actions, law suits and demands of any kind or nature arising out of this agreement.

10. This agreement is executed in duplicate, each copy of which shall for all purposes be considered an original.

IN TESTIMONY WHEREOF, the Trustees, for and on behalf of the State of Florida Board of Trustees of the Internal Improvement Trust Fund have hereunto subscribed their names and have caused the official seal of said State of Florida Board of Trustees of the Internal Improvement Trust Fund to be hereunto affixed, in the City of Tallahassee, Florida, on this the 22nd day of January, A. D. 1974, and the Board of Regents has duly executed same and has affixed its official seal hereto this 22nd day of January, A.D., 1974.



Leubin O. Wheeler  
Governor

Richard W. Stal Stone  
Secretary of State

Robert L. Brown  
Attorney General

Judith S. Rius  
Comptroller

Thomas W. Smalley  
Treasurer

Wayne T. Christian  
Commissioner of Education

Jack Conner  
Commissioner of Agriculture

As and Constituting the State of Florida Board of Trustees of the Internal Improvement Trust Fund

(SEAL)  
BOARD OF REGENTS

BOARD OF REGENTS  
By Robert D. Mouton  
Chairman

ATTEST:  
Heidi Clark  
ATTACHMENT 2A  
PAGE 9

**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
University of South Florida  
2025 Fletcher District Project (P3), Phase 1**

## Project Map

**1** Lot 1: **A** - Market Rate Housing - 150 units 4-5 story  
Retail 22,100 sf (40' bay depth)  
**B** - Anchor Retail - 13,000 sf  
Parking Required: Resi. parking = 263 cars (1.75 /unit)  
Retail Parking = 64 cars (@5.5/1000 sf)  
Anchor Retail = 65 cars (@5/1000 sf)  
Total parking req. = 392 cars  
Parking Provided: 463 cars total surface park.  
(71 cars surplus)

**2** Lot 2 - Mixed Use 7 story  
**C** - Ac Hotel 150 key - 7 story  
8000 sf Ground Floor Retail  
**D** - Surface Parking - 248 cars  
**E** - 5,000 Conference Center  
**F** - 3,500 SF Retail  
**G** - 4,400 SF Retail  
Parking Required: Hotel parking = 150 cars (1/key)  
Retail Parking = 88 cars (@5.5/1000 sf)  
Total parking req. = 238 cars  
Parking Provided: 290 cars total (52 cars surplus)

**3** Lot 3 - District Green  
**H** - Flex lawn 40,000 sf  
**I** - 5,000 SF Retail - Brewery  
**J** - 4,000 SF Retail  
Parking req. @5.5/1000 = 50 cars  
Parking provided: 89 cars (39 surplus)

**4** Lot 4 - USF Research Bldg + student housing  
**K** - Phase IA - Research - 100,000 sf, 5-7 story  
**L** - Phase I Student Housing - 700 beds  
**M** - Phase IB - Research - 125,000 sf, 5-7 story  
Parking req: 1485 cars (1125 cars - research + 360 student housing)

**5** Lot 5 - USF Research Bldg  
**N** - Phase IC - Research - 125,000 sf, 5-7 story  
Parking req: 625 cars

**TOTAL (phase 1a+1b+1c):**

- 150 Units Market Rate Residential
- 700 beds - Student Housing
- 60,000 gsf - Retail
- 150 keys - Hotel
- 5000 gsf - Conference
- 350,000 - Research
- 150 units - Cottages



**LEGEND**

- 1 Rooftop Deck
- 2 Valet Drop off
- 3 Event Lawn
- 4 Fitness Plaza
- 5 Trail Head / Pavilion
- 6 Gateway / Signage
- 7 Pedestrian Bridge
- 8 USF Bull Sculpture
- 9 Paseo to Flex Lawn  
from Surface parking
- 10 Residential Lobby
- 11 Garden
- 12 Green Belt with Trail
- 13 Gateway/ Ceremonial Entry
- 14 Buffer Zone Along The  
Forest Preserve
- 15 Stage/bandshell
- 16 Structured Garage
- 17 Paddle Board/ Kayak
- 18 Existing Wetland/ Retention Pond
- 19 Existing Golf Center
- 20 The Quad Park
- 21 Research/ Innovation Gateway
- 22 Clubhouse with Entry Feature
- 23 Built-to-rent Cottages
- 24 Built-to-rent Townhouses



**STATE UNIVERSITY SYSTEM OF FLORIDA  
BOARD OF GOVERNORS  
University of South Florida  
2025 Fletcher District Project (P3), Phase 1**

## **Project Summary**

**Project Description:**

The University of South Florida (“USF” or the “University”) is requesting approval of a proposed public-private partnership (“P3”) to design, build, finance, own, and operate multiple assets, along with associated infrastructure and parking.

The first phase of the proposed Fletcher District Project (the “District” or the “Project”) will develop approximately 27 acres of the total 138 acres of undeveloped land (the site of USF’s former golf course) into a mixed-use development where all members of the USF community; students, employees, alumni, and local partners, can “live, work, learn, and play”.

The Project will include multiple asset types including undergraduate student housing (“Student Housing”); multi-family housing for (in priority) faculty and staff, graduate students, the USF community (alumni, USF Health patients, lifelong learners), and lastly the public (“Multi-Family Housing”); a hotel and conference center (“Hotel”); retail/restaurant space to support active living in the district environment (“Retail”); a University-developed academic research building (“USF-Developed Asset”); together with green/recreational spaces and the corresponding infrastructure including appropriate surface parking spaces.

After performance milestones are met for the Project, the University anticipates a second phase of development at an undetermined future date, to include assets/facilities that will complement the (phase 1) Project and align with USF’s strategic priorities. A second phase, when proposed, will be brought before the Board of Governors (Board) for approval.

The University’s master ground lease (with the State) for the District’s parcel expires in 2073 and must be extended through the Board of Trustees for the Internal Improvement Trust Fund (IITF). Also, the proposed 99-year ground subleases are subject to IITF approval. USF anticipates IITF approval of the extension and subleases early next year.

The District has not yet been incorporated in USF’s approved campus master plan (CMP), as required by section 1013.30, Florida Statutes. USF is in the process of amending its CMP accordingly and anticipates approval by the end of the year.

The Project has not yet been Legislatively authorized, as required by sections 1013.171 and 1010.62, Florida Statutes. USF anticipates obtaining requisite authorization in the 2026 legislative session.

The USF Board of Trustees (BOT) approved the proposed Project on September 9, 2025. While not requisite to the approval process, on

September 23, 2025, the USF Student Government expressed its support of the District via Senate Resolution (see attached exhibit “*SGA Statement of Support*”).

**Developer & Sublessees:** The University plans to enter into a Master Development Agreement with the master developer ACE Fletcher, LLC (“Developer”), whose members are Capstone Development Partners, Capstone Communities, Aureate Development, and Ellison Development. The University will also establish separate ground subleases with each entity or entities developing each component of the Project, excluding the USF-Developed Asset. The term of the ground subleases will vary by asset type, ranging from 40 years, exclusive of construction, to 99 years.

The Developer or ground sublessees will retain ownership of the assets (except for USF-Developed Asset) through the term of the ground sublease, after which ownership of the facilities will revert to USF, as required by Florida Statute.

Each sublessee, as the ‘owner’ of the assets/improvements, will be responsible for designing, building, financing, operating, and maintaining its respective Project component, and will bear a proportionate share of the common infrastructure. Additionally, each sublessee will be responsible for long-term asset management, namely the cost to maintain the vertical improvements according to agreed upon standards and performance expectations within each ground sublease. Requirements for repair & replacement reserves are summarized later (see pg-6).

**Property Association:** A property association will be established to maintain the common areas and the infrastructure within the District. The Developer will act as the initial manager of the property association and will charge a management fee to each of the individual sublessees equal to 0.50% of the asset gross revenues, subject to performance default provisions set forth in the property association documents.

**District Components:      Student Housing and Multi-Family Housing**

The Student Housing component will deliver approximately 700 beds in 400 units (1BR, 2BR, & 4BR) totaling over 335,000 SF. It is planned to provide a higher level of autonomy for students, with all bedrooms single-occupancy, and all units being 1-to-1 bedroom-to-bathroom ratio. This approach addresses unmet demand for more private on-campus residency units.

The Multi-Family Housing component will be a convenient housing option for USF employees, graduate students, and others. The initial phase includes approximately 150 high-rise units totaling over 160,000 SF. The units will be marketed to and prioritized for: (1) University employees, faculty, staff, and affiliates; (2) graduate students; (3) community members connected to the University, such as alumni, lifelong learners or patients of USF Health and affiliates; and (4) lastly, the general public. In the event demand exceeds the initial 150 units, Developer and USF will have the option to negotiate development of an additional 150 cottage-style, single-

family detached rental units on approximately 20 acres located on the northern end of the 138-acre parcel. The option to develop the additional units will be contingent on the lease-up progress of the initial Multi-Family units and will encompass the same ownership and ground lease rent structure as contemplated for the currently proposed Multi-Family Housing component.

The University anticipates entering into a 40-year ground sublease (exclusive of construction) with a not-for-profit entity (“NPO”) to design, construct, finance, operate and maintain the Student Housing and the Multi-Family Housing. The NPO will enter into separate third-party management agreements to perform custodial, maintenance, and asset management functions for the properties including management / oversight of repair and replacement costs. The NPO may use the same manager for Student Housing and Multi-Family Housing to reduce personnel and administrative operating expenses. The NPO will own the assets through the term of the ground sublease, after which ownership of the facilities will revert to USF. The NPO will issue 30-year tax-exempt bonds, callable at par in 10 years, at which time the University will have the option to acquire the facilities and refinance the debt.

For the Student Housing, USF will enter into a separate administrative services agreement with the NPO whereby USF will perform student support and administrative services, including residential education programming; security, safety, and emergency response; and marketing, assignments, and student financial administration (“Administrative Services”). USF will receive an Administrative Services fee initially estimated at \$1,500 per bed, which will escalate annually based on a defined schedule or CPI index, estimated at 3%. Comparatively, for the Multi-Family Housing component, the third-party manager will maintain responsibility for all marketing, leasing, billing, collections, etc.

### **Hotel and Conference Center**

The Hotel component will include a 150-guest room facility totaling 77,850 SF, including a 5,000 SF conference space, additional hotel fitness space and hotel lounge/bar. The University anticipates entering into a 99-year ground sublease agreement with a hotel owner (“Hotel Owner”) to design, construct, finance, and maintain the asset, and the Hotel Owner will enter into a separate third-party management agreement to operate the asset and to perform custodial, maintenance, and asset management functions including management of repair and replacement costs. The Hotel Owner will own the Hotel over the term of the ground sublease, with the option to sell ownership rights. After the expiration of the ground sublease, ownership of the facilities will revert to USF. USF will have the option to purchase the hotel prior to the end of the ground lease at fair market value.

### **Retail**

The Retail component of the District will support active living and include approximately 60,000 SF of spaces within the ground floors of planned housing facilities and within standalone facilities. The University anticipates

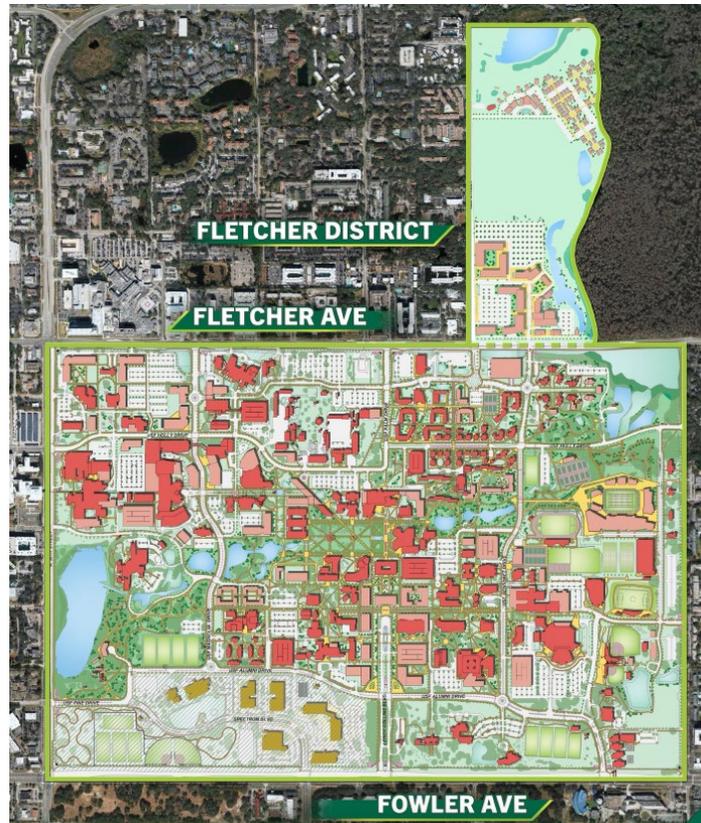
entering into a 99-year ground sublease agreement with a retail owner (“Retail Owner”) to design, construct, finance, and maintain the Retail assets. The Retail Owner will also be responsible for the management and maintenance of the various facilities, including lease management to retail tenants. The Retail Owner will have the right to lease retail facilities to third parties approved by USF. The Retail Owner will be responsible for and contract with a third-party manager for long-term asset management. Asset fit-out and renewal will be the responsibility of each tenant. After the expiration of the ground sublease, ownership of the facilities will revert to USF. USF will have the option to purchase the Retail assets prior to the end of the ground lease at fair market value.

### **University-Developed Academic Research Building**

USF intends to develop an academic research building, totaling 350,000 SF, to support its mission and strategic goals. While this building will be located within the District, it will be developed and funded by USF through university proceeds, state funding, debt proceeds, and/or philanthropy. If the facility requires financing, the University will seek separate approval from the Board of Governors pursuant to Florida Statute, Section 1010.62.

#### **Project Site Location:**

The Project site is located north of Fletcher Avenue, east of North 46th Street and west of the USF Forest Preserve (see illustration below and attached “Project Map”). The entire District site totals approximately 138 acres of developable land, but the Project (phase 1) will encompass only 27 acres, approximately, and an optional 20 acres (as discussed earlier).



The Project will represent over 980,000 sq ft of space, in aggregate, comprised as follows:

<b>Space Type</b>	<b>Square Feet</b>
Student Housing	335,000
Multi-Family Housing	160,000
Hotel & Conference Center	77,850
Retail Spaces & Restaurants	60,000
<b>Subtotal:</b>	<b>632,850</b>
USF-developed Academic Research Bldg.	350,000
<b>Total Square Feet:</b>	<b>982,850</b>

**Projected Start and Completion Date:**

USF provided Developer early site access (through a Site License Agreement) to perform due diligence activities to inform the District design process. Design of each asset type is anticipated to commence in late 2025, with construction commencing spring 2026, followed by **completion of each component asset simultaneously in July 2028**. This coordinated timeline, with delivery of all components concurrently, is intended to maximize the District's opening impact.

If the Student Housing fails to open in time for the fall 2028 semester, the NPO will provide temporary housing, storage, and transportation costs for residents until completion. Specific remedies for a late delivery of the Student Housing will be further defined as the Project is advanced beyond its current conceptual stage.

**Project Cost:**

The Project's total cost, including infrastructure and green/recreation spaces, but excluding the USF-Developed Asset, is \$268.5 million, including hard costs of approximately \$156.7 million, and soft and other costs (planning, development, financing, etc.) of \$111.8 million. **The Developer will receive** a Master Developer Fee of 2.00% (of total costs) or approximately **\$5.4 million** to manage the overall development. The Developer will also receive Development Overhead/Fees for each of the individual components totaling approximately **\$9.3 million** or an average of approximately 3.5% (of total costs). Lastly, a property association will be established to maintain the common areas and the infrastructure within the District. The Developer will act as the initial manager of the property association and will charge a management fee to each of the individual sublessees of **0.50% of asset gross revenues** subject to performance default provisions set forth in the property association documents. This fee is reflected as an annual operating expense. The Developer or respective ground sublessee will enter into a guaranteed maximum price construction contract and will be responsible for any development delays or cost overruns, except changes requested by USF.

**Estimated project costs for each asset component of the District:**

<b>Asset</b>	<b>Hard Costs</b>	<b>Soft / Other Costs</b>	<b>Total Cost</b>
Student Housing	\$82.5 M	\$57.1 M	<b>\$139.6 M</b>
Multi-Family Housing	\$30.2 M	\$18.8 M	<b>\$49.0 M</b>
Hotel & Conference	\$30.5 M	\$16.7 M	<b>\$47.2 M</b>
Retail & Restaurant *	\$13.5 M	\$19.2 M	<b>\$32.7 M</b>
Total:**	\$156.7M	\$111.8M	<b>\$268.5M</b>

\* Retail & Restaurant spaces will offer triple-net leases to tenants, who will be responsible for the space build-out.

\*\* Does not include USF-developed academic research facility

The per-bed cost of the Student Housing component was compared to other SUS student housing projects over the past 60 months. Based on the comparison (see table below), the proposed Student Housing per-bed cost will be the highest:

**Student Housing  
Per-Bed Cost Comparison\***

<b>Approval Date</b>	<b>Univ.</b>	<b>Location</b>	<b>Beds</b>	<b>Cost Per Bed</b>	<b>Notes</b>
--	USF	Tampa	700	<b>\$199.4K</b>	Proposed P3
June '24	FAU	Boca Raton	670	<b>\$160.5K</b>	
Oct. '23	FAMU	Tallahassee	700	<b>\$121.4K</b>	
Sept. '23	UNF	Jacksonville	521	<b>\$147.6K</b>	
Jan. '23	FPU	Lakeland	430	<b>\$95.6K</b>	
Sept. '22	USF	Sarasota-Manatee	200	<b>\$105.0K</b>	
Mar. '21	UF	Gainesville	1400	<b>\$157.0K</b>	
Mar. '20	FIU	Miami	700	<b>\$125.0K</b>	
Jan. '20	FSU	Panama City	400	<b>\$57.8K</b>	P3 project

\*Based on original Board approved Project Summary reports, specifically Project cost and bed count.

**Asset Maintenance and Reserve Requirements:**

Section 1013.171(1), Florida Statutes requires that the Project ground subleases be for a term not in excess of 99 years **or the life expectancy of the permanent facilities constructed thereon, whichever is shorter.**

Per USF, both the Hotel and Retail components will enter into 99-year ground subleases (the longer lease term provides the necessary return on equity/debt to attract investors). **To ensure the useful life of the improvements will comply with the statutory requirement,** the sublease will specify construction material standards for extended useful life, as well as long-term investment/maintenance in the asset via repair & replacement (R&R) reserves coupled with predetermined schedules.

### Required repair/replacement reserves per asset component:

Student: The NPO will make yearly contributions to a Repair & Replacement Account (“R&R Fund”) equal to **\$250/bed**, escalating annually per a defined schedule or CPI index, currently estimated at 3%. Over the 40-year sublease, this equates to approximately **\$13.1M**.

*This is the same R&R structure and (\$) amount utilized of USF’s 2015 student housing P3 (Villages). The Developer indicated this is standard with NPO-related housing financing.*

Multi-Family: The NPO will make yearly contributions to a R&R Fund equal to **\$230/unit**, escalating annually per a defined schedule or CPI index, currently estimated at 3%. Over the 40-year sublease, this equates to approximately **\$2.6M**.

*Per B&D\*, the industry standard is between \$250-\$300 per unit. The Developer indicated this is standard with NPO-related housing financing.*

Hotel: Owner will make yearly contributions to a Replacement Reserve Fund equal to **2% of annual revenues**.

*Per B&D\*, the 2% requirement is on the lower end of industry standards but is based on the Marriott Franchise Agreement.*

Retail: Owner will make yearly contributions to a Capital Reserves Fund equal to **\$0.50 per S.F. of space leased**, escalating 2.50% per year.

*Per USF, B&D\* found the proposed Retail reserve requirement aligns with industry standards. Also, Retail tenants will be responsible for fit-out and renewal of space.*

\*Brailsford & Dunlavy (B&D) is a national consulting/advisory group engaged by USF for Project-related studies.

### Financing Structure:

The Project assets, other than the USF-Developed Asset and enabling infrastructure, will be privately owned and financed by the Developer or the respective ground sublessees. Based on the submitted proforma, the Project will be financed through a variety of financing options, including tax-exempt bonds for improvements owned by a NPO and debt/private equity structures for other Project components. Each District asset will contribute its proportionate share (currently based on assumed gross square footage but eventually based on valuation) of infrastructure costs, and to the property association’s annual operating expenses for broader District maintenance.

The projected debt service coverage for each of the component assets is at least 1.20x in the first full year of delivery/operating (targeting fall 2028) and beyond, except for Hotel, which will not achieve 1.20x or better until 2031. (see attached exhibit “Pro Forma – Hotel / Conference Center”).

The Student Housing and Multi-Family Housing assets will be developed and financed through an NPO ownership structure with \$186.2 million of tax-exempt bonds (\$139.7 million for Student Housing and \$46.5 million for Multi-Family Housing). The debt is anticipated to be financed over a 30-year term, exclusive of the construction period, with an assumed tax-exempt interest rate of 5.95%. Ascending debt service is planned for the first seven years, following the construction period, to avoid a longer ground lease and keep rental rates affordable for students. The use of tax-exempt debt through the NPO structure is intended to minimize the cost of capital, similar to a University or DSO-financed structure while not impacting USF's debt capacity for future capital projects. The Multi-Family Housing also anticipates receiving local government support for infrastructure estimated at \$2.5 million.

The Hotel is anticipated to be financed through a private debt/equity structure, which will be repaid over the length of the 99-year ground sublease. The financing will include an interim construction loan of \$30.7 million (65%), equity of \$14.5 million (31%), and local government support of \$2 million for infrastructure (4%). An interest rate of 12.5% has been assumed for the interim construction loan and will require interest only payments for the first four years of operations. After the initial five-year term, the Hotel Owner will refinance the construction loan with a permanent loan with an assumed interest rate of 6%.

The Retail is also anticipated to be financed through a private debt/equity structure, which will be repaid over the length of the 99-year ground sublease. The financing will include an interim construction loan of \$20 million (61%), equity of \$10.9 million (33%), and local government support of \$1.9 million for infrastructure (6%). An interest rate of 8.5% has been assumed for the interim construction loan and will require interest only payments for the first two years of operations. After the initial one- to two-year term, the Retail Owner will refinance the construction loan with a permanent loan with an assumed interest rate of 6.5%.

#### **Demand Analysis:**

In 2023, USF engaged B&D to perform a comprehensive Student Housing Demand Assessment for the Tampa campus, initially with a focus on redevelopment of the Argos residential community. As student housing was contemplated for the District, B&D updated its assessment using fall 2024 data to identify the potential need for housing (the "Assessment").

B&D conducted a multi-faceted analysis that assessed student demographics, the off-campus housing market, student housing demand and a robust web-based student survey with over 5,000 responses. B&D concluded that significant unmet demand could be met by the proposed opening of the Fletcher District student housing in July 2028. After reviewing USF's approved enrollment projections outlined in the University's 2025 Accountability Plan and several other data points noted above, the B&D Assessment indicates Fall 2028 full-time student demand for on-campus housing will total 7,826 beds, or 1,291 more beds than USF's current on-campus capacity at the Tampa campus.

The unmet demand is primarily driven by interest from returning upper-

division students, a population that the University has not had the ability to accommodate given USF's capacity limitations and historic focus on housing incoming first-year students. The demand assessment indicates that returning students, particularly upper-division students, are interested in a more independent housing type – apartments with single bedrooms. While USF offers 1,775 apartment beds at the Tampa campus, student demand for apartments is projected to exceed 3,980 beds, or approximately 2,200 more beds than USF's current apartment inventory. The Student Housing asset will respond directly to the need for more upper-division, on-campus housing.

The Assessment also examined the off-campus student housing market that surrounds the Tampa campus. The local off-campus housing market is anticipated to continue to be an option for USF students. However, with rental rates projected to continue to increase over the next five years, and with limited anticipated new supply entering the market, the private market will not be able to fully meet the University's demand. The proposed unit mix, with a majority of 1- and 2-bedroom apartments, offers new USF inventory that is differentiated from the existing on- or off-campus market, with competitive amenities and features.

**Housing Rental Rates:**

The Student Housing's monthly rental rates, across 12-month lease terms, for fall 2028, the first year of planned asset operation, are as follows:

**Proposed Student Housing rental rates:**

- 1-BR / 1-Bath Unit: \$2,103 (per bed)
- 2-BR / 2-Bath Unit: \$1,666 (per bed)
- 4-BR / 4-Bath Unit: \$1,481 (per bed)

The 2-bedroom rental rates are approximately 9% higher than existing USF 2-Bedroom / 1-Bath units in today's dollars for the 2025-2026 academic year. The 4-bedroom rental rates are approximately 6% higher than existing USF 4-Bedroom / 2-Bath units in today's dollars for the 2025-2026 academic year. USF worked with the Developer to apply a premium on existing bed rates, which is supported by the planned one-to-one bed-to-bath ratio as compared to the age of USF's current housing facilities and their two-to-one bed-to-bath ratio. Brailsford & Dunlavey, inc. ("B&D") conducted an off-campus market analysis, and the proposed rental rates are competitive with the newest off-campus housing properties. All rates are assumed to increase 3% annually through the debt term.

An advisory committee will set the annual budget including any changes to rental rates for the Student Housing component of the Project, with representation by both USF and the Student Housing's NPO owner.

**Proposed Multi-Family rental rates:**

- Studio Unit: \$1,648 (per unit)
- 1-BR / 1-Bath Unit: \$1,854 (per unit)
- 2-BR / 2-Bath Unit: \$2,266 (per unit)
- 3-BR / 3-Bath Unit: \$2,678 (per unit)

The Multi-Family Housing rates compare to market rates for similar unit types by +0.25%, -0.4%, +2.5% and +1.1%, respectively, in today's dollars for 2025-2026. All rates are assumed to increase 3% annually through the debt term. The NPO and its manager will be responsible for setting the annual budget and rental rates on the Multi-Family Housing units, which will be commensurate with local market rate housing.

**P3 Justification:**

Given the size and complexity of the Project, USF chose a P3 structure to transfer the full spectrum of risk associated with design, construction, financing, operations, management, and maintenance to the master Developer and, indirectly, the ground sublessees. Additionally, the P3 model is expected to limit credit rating exposure (to USF), while facilitating the delivery of much-needed infrastructure to previously undeveloped land. Lastly, the Developer's ability to provide timely, coordinated delivery of the various components (i.e., student and multifamily housing, retail, restaurant, hotel & conference center) will play a strategic role in the success of the 'Fletcher District'. In the above, USF felt a P3 approach was most appropriate.

**Security/Lien Structure:**

The repayment of any loan or equity contributions for the District's assets, excluding the USF-Developed Asset, will be solely and strictly the obligation of the various ground sublessee and secured by net Project revenues after payment of operating expenses. Respective lenders will be able to grant a leasehold mortgage interest in the respective financed component of the Project in the event the sublessee defaults on the loan repayment. Student Housing and Multi-Family revenues consist of rental rates and conservative estimates on additional income opportunities that support the repayment of the tax-exempt debt. Hotel revenues consist of room rates, food and beverage revenue, conservative miscellaneous revenue, and a Public User Fee ("PUF") at 3% of all revenue. Retail revenue consists of rent from tenants (in a triple net lease structure), operating expense reimbursements, and a PUF fee at 2.5% of retail revenue. Based on proformas, the Hotel and Retail Owners each anticipate effective annual returns averaging 20%, which will be paid last from available net excess cash flows.

**Taxable Debt:**

The Hotel and Retail assets will be partially financed with taxable debt due to both operating as for-profit entities. Student Housing and Multi-Family assets will be financed primarily through tax-exempt bonds; any portion of the Multi-Family Housing component of the Project that fails to qualify for financing with proceeds of tax-exempt bonds will be financed with proceeds of taxable bonds.

**Remuneration to USF & Projected IRR's:**

A summary of cash flow (ground lease rent) to USF from the Project is attached as an exhibit (see "*Project Remuneration to USF*").

Student Housing and Multi-Family Housing

USF's ground lease 'rent' will be in the form of profit sharing; net cash flow after operating expenses, debt service, and required reserves. **During the**

**40-year ground sublease term, assuming pro forma projections are accurate, USF is estimated to receive over \$509M in remuneration from the Housing components**, or a net present value of \$113M at a 5% discount rate. Over the term of the ground sublease, the NPO is projected to receive approximately \$8.4M in annual fees, or a net present value of \$3.6M at a 5% discount rate, both assuming the ground lease term reaches 40 years. Once the debt is retired, the ground lease will expire, and the assets will revert back to USF. **USF has the option to purchase the Housing components after 10 years at a price equal to the outstanding balance of the debt (original issuance) at that time.** However, as mentioned earlier, the Student Housing per-bed cost will be highest in SUS. Also, the ascending debt service structure (Capstone's debt) results in roughly \$6.7M higher bond par at a potential 10-yr take-out. (see attached exhibits "*Pro Forma – Student Housing*" and "*Multi-Family Housing*")

#### Hotel & Conference Center

**USF will receive an annual ground lease rent payment starting at \$200,000, increasing yearly estimated at 2%.** The estimated total ground lease rent payment to the University equals \$61.0 million, or a net present value of \$5.7 million at a 5% discount rate. Over the first 15 years, the ground lease rent payments are estimated at \$22.2 million, or a net present value of \$4.9 million at a 5% discount rate. **The Hotel Owner's projected leveraged IRR over the first 10 years is 18.1%.** The Hotel Owner will be paid last from available net excess cash flows. USF has the option to purchase the Hotel asset prior to the end of the ground sublease at fair market value. (see attached exhibit "*Pro Forma – Hotel / Conference Center*")

#### Retail Components

**USF will receive an annual ground lease rent payment starting at \$100,000, increasing yearly estimated at 2%.** The estimated total ground lease rent payment to the University equals \$30.5 million, or a net present value of \$2.8 million at a 5% discount rate. Over the first 10 years, ground lease rent payments are estimated at \$1.1 million, or a net present value of \$0.7 million at a 5% discount rate. **The Retail Owner's projected leveraged IRR over the first 10 years is 19.9%.** The Retail Owner will be paid last from available net excess cash flows. USF has the option to purchase the Retail asset prior to the end of the ground sublease at fair market value. (see attached exhibit "*Pro Forma – Retail*")

#### Assessment of Hotel and Retail rental rates

USF engaged B&D to assess the proposed Hotel and Retail ground sublease rents. B&D assessment compared USF's return (as a percentage of income/revenue) against industry standards as well as comparable properties, finding the following:

- The returns of 5.1% of Hotel net operating income, and 2.25%-2.75% of Retail gross revenue, generally aligned with industry standards for those particular markets.

- Based on market comparable properties, the estimated value of Hotel and Retail portions of the District parcel would be approximately \$6M, whereas the **projected NPV of the combined ground leases equals \$8.5M; roughly 42% higher than the land's estimated market value.**

Lastly, in addition to base ground rent for the Retail and Hotel components, USF will participate in the financial success of the Project through a performance-based mechanism, such as percentage of rent or profit sharing. Per USF, the Developer agreed to this provision, but the details are yet to be negotiated.

**University Financial Support of Project:**

The financing of proposed District assets, excluding the USF-Developed Asset, will not be a legal obligation of USF or any of its Direct Support Organizations. USF will not pledge its credit toward any asset of the District, nor will it provide financial guarantees, subsidies, or support to the Student Housing, Multi-Family, Hotel, or Retail assets, owners, or sublessees.

The University will provide Administrative Services to Student Housing, as discussed earlier (pg-3), but will receive monetary compensation for this service.

**Alignment with Mission and Student Success:**

The USF BOT finds the Project is consistent with its Strategic Plan, specifically:

- Goal 1 – to produce well educated and highly skilled global citizens through a continuing commitment to student success.
- Goal 5 – use sound financial management to establish a strong and sustainable economic advancement which requires enhancing the physical infrastructure of the campus through fiscally responsible investments.

Furthermore, the District will provide for student experiential learning, as the Developer intends to create opportunities for students to transition from classroom to career, with the District functioning as a living laboratory for students to gain hands-on experience operating and managing retail, hospitality, residential, and corporate enterprises. The Developer also envisions it as a cultural hub, displaying student and faculty art, as well as musical and theatre performances.

**Analysis and Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance have reviewed the resolution and information provided by the University of South Florida in support of their request for Board approval of the Project.

Based upon this review, the Project appears to comply with Florida Statutes governing the ground lease and it aligns with the SUS Public-Private Partnership Guidelines. Staff recommends Board authorization of the Project contingent upon the following:

- 1) Legislative authorization of the Project, pursuant to sections 1010.62 and section 1013.171, Florida Statutes.
- 2) Approval by the Board of Trustees of the Internal Improvement Trust Fund of the extension of the University's 99-year master ground lease for the subject parcel, as well as approval of two 99-year ground subleases (for the 'Hotel' and 'Retail' components of the Project), as necessary
- 3) Amendment of the USF BOT-adopted Campus Master Plan to include the proposed Project, pursuant to sections 1010.62 and 1013.30, Florida Statutes.