



April 26, 2017

TO: THE DISTRICT BOARD OF TRUSTEES
OF VALENCIA COLLEGE

FROM: SANFORD C. SHUGART
President

RE VALENCIA COLLEGE IMPROVEMENTS /DOWNTOWN CAMPUS

Beginning in the fall of 2019, Valencia and the University of Central Florida are planning to lease space in a building to be developed by KUD/Ustler Development, located within the downtown Orlando area referred to as Creative Village. This building will be home to Valencia's Walt Disney World School of Hospitality and Culinary Arts. A lease agreement is in process of being finalized with KUD/Ustler Development, for presentation to the board for consideration and approval within the next two months. Valencia and KUD/Ustler have agreement in principal on its contents and is consistent with the attached Memorandum of Understanding.

As part of the lease, Valencia will be responsible for the Tenant improvements within the academic space on the upper floors and restaurant space located on the first floor of the building. The cost of design and the proposed Tenant improvements are estimated to be \$10 million, to be paid through the landlord in accordance with the lease requirements. Milestones and cost review measures will be agreed upon to ensure that the work is completed in an efficient manner and on budget.

The improvements include a build out completing a small portion of the first floor (retail space), the third floor which is shared space with UCF, and floors four and five which will be solely occupied by Valencia. The 55,000 square foot space will encompass a restaurant on the first floor, 6 main and 1 specialty kitchen, 7 class rooms, shared student space and several offices for the staff located on this campus. The project timeline is focused on ensuring that the space can be opened in time for the fall 2019 academic year. In order to meet the timeline, progress payments for design work will need to begin in the next several months.

RECOMMENDED ACTION:

The President recommends that the District Board of Trustees of Valencia College designate \$2 million within fund 7 to be encumbered for future expenditure in furtherance of the Valencia Improvements in the Creative Village project, consistent with the provisions of the attached Memorandum of Understanding.

President

VALENCIA COLLEGE

Downtown Campus

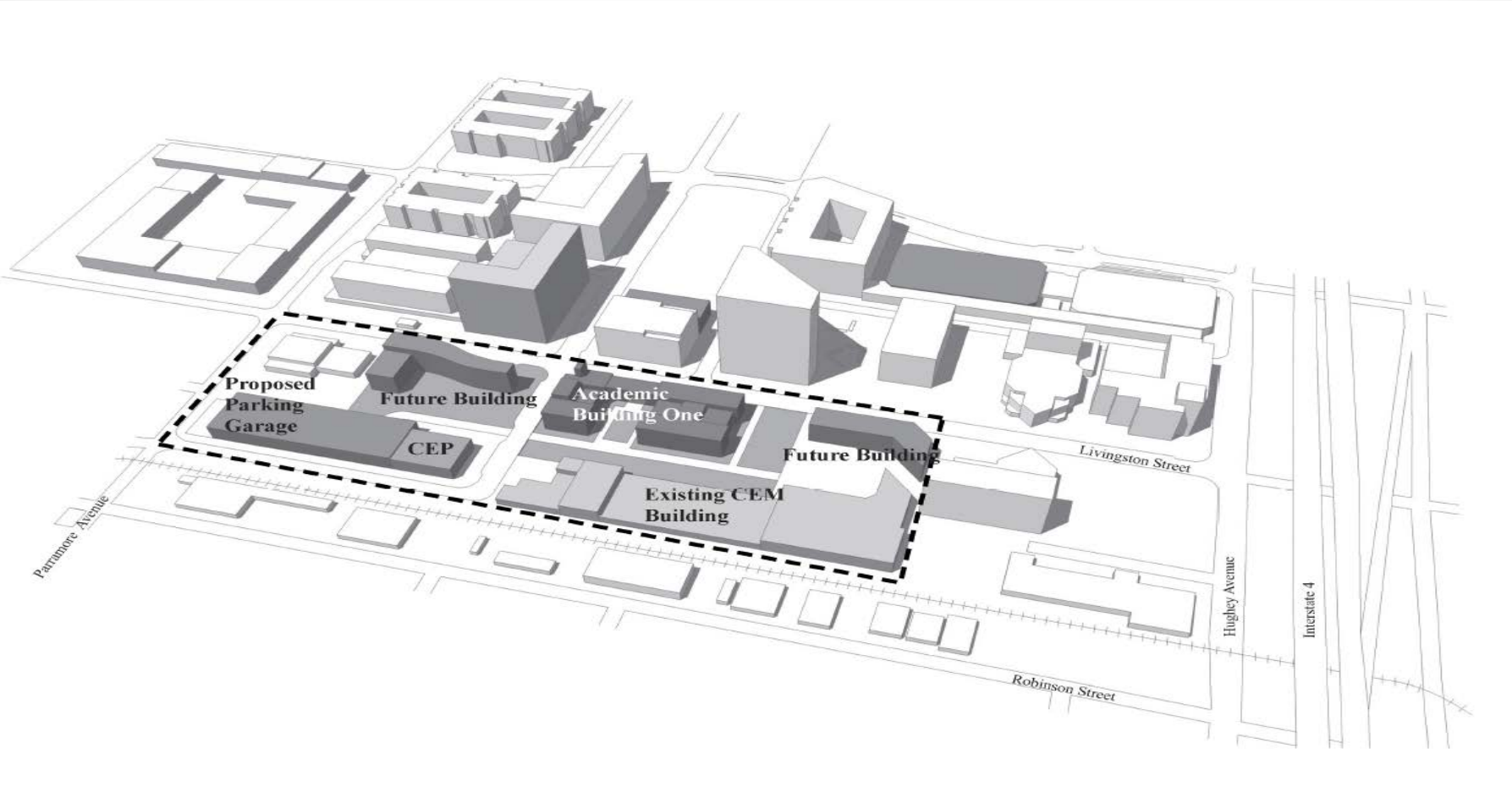
Valencia College – Board of Trustees

April 26, 2017

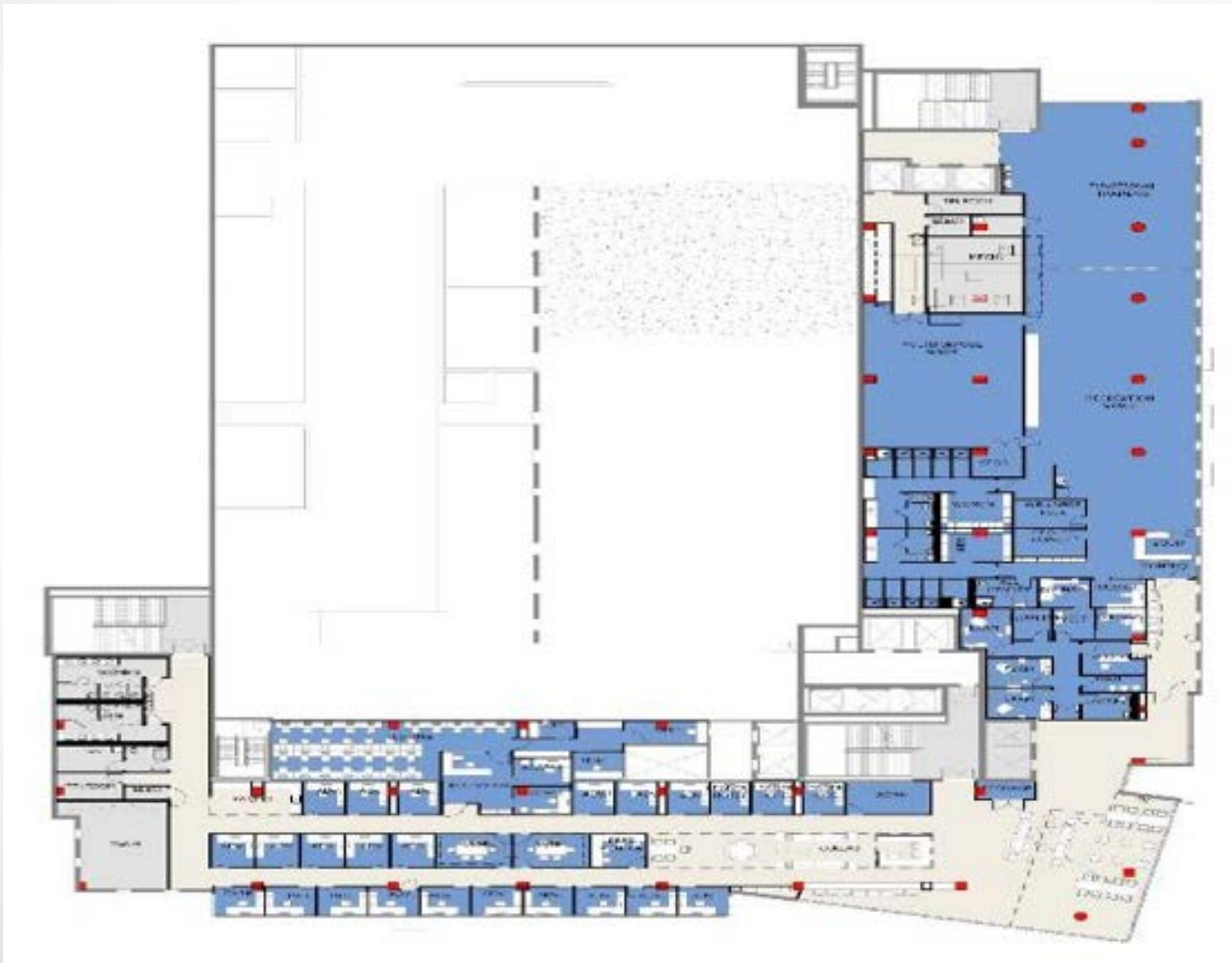




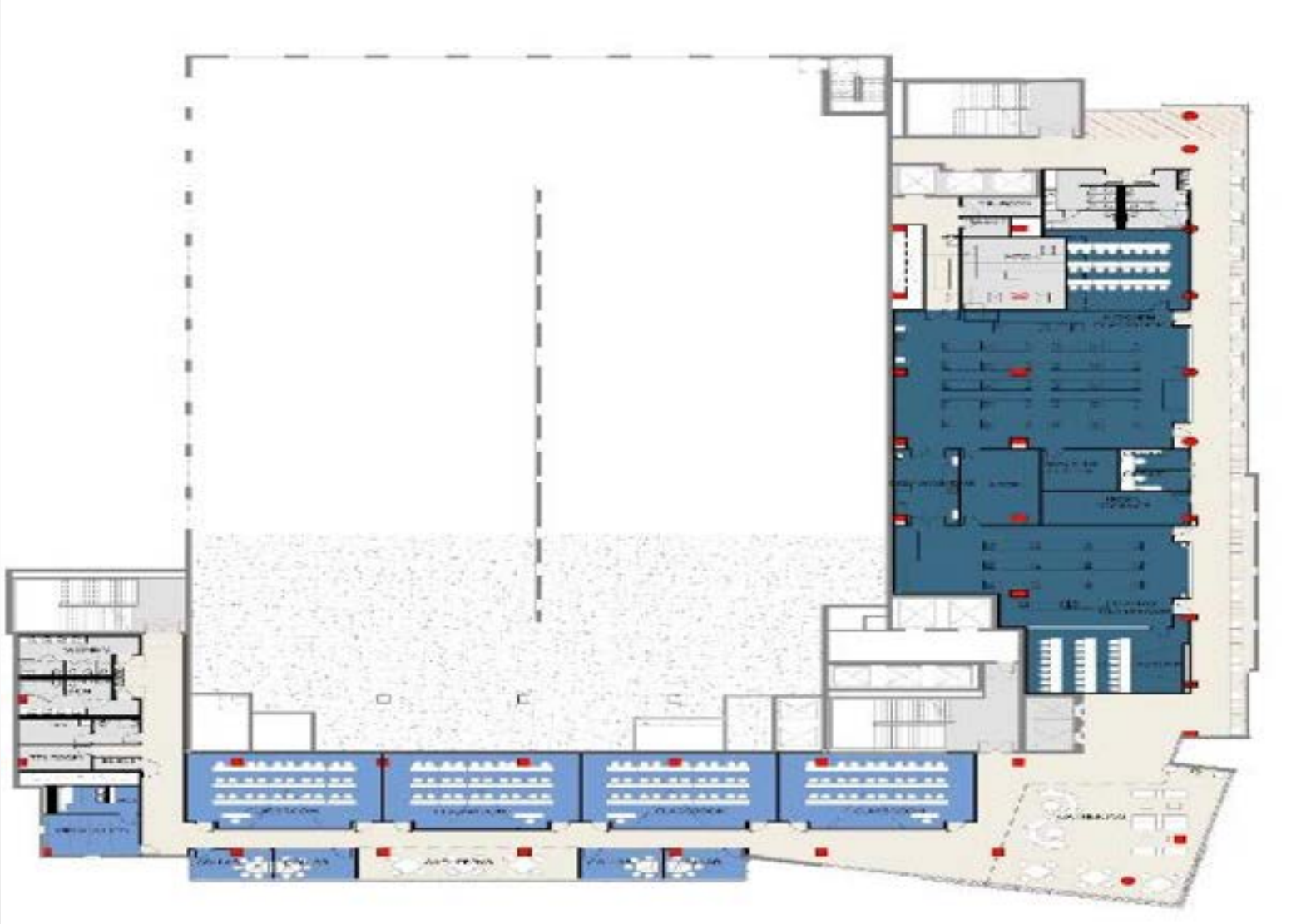
Downtown Campus



Downtown Campus – 2nd Floor



Downtown Campus – 3rd Floor



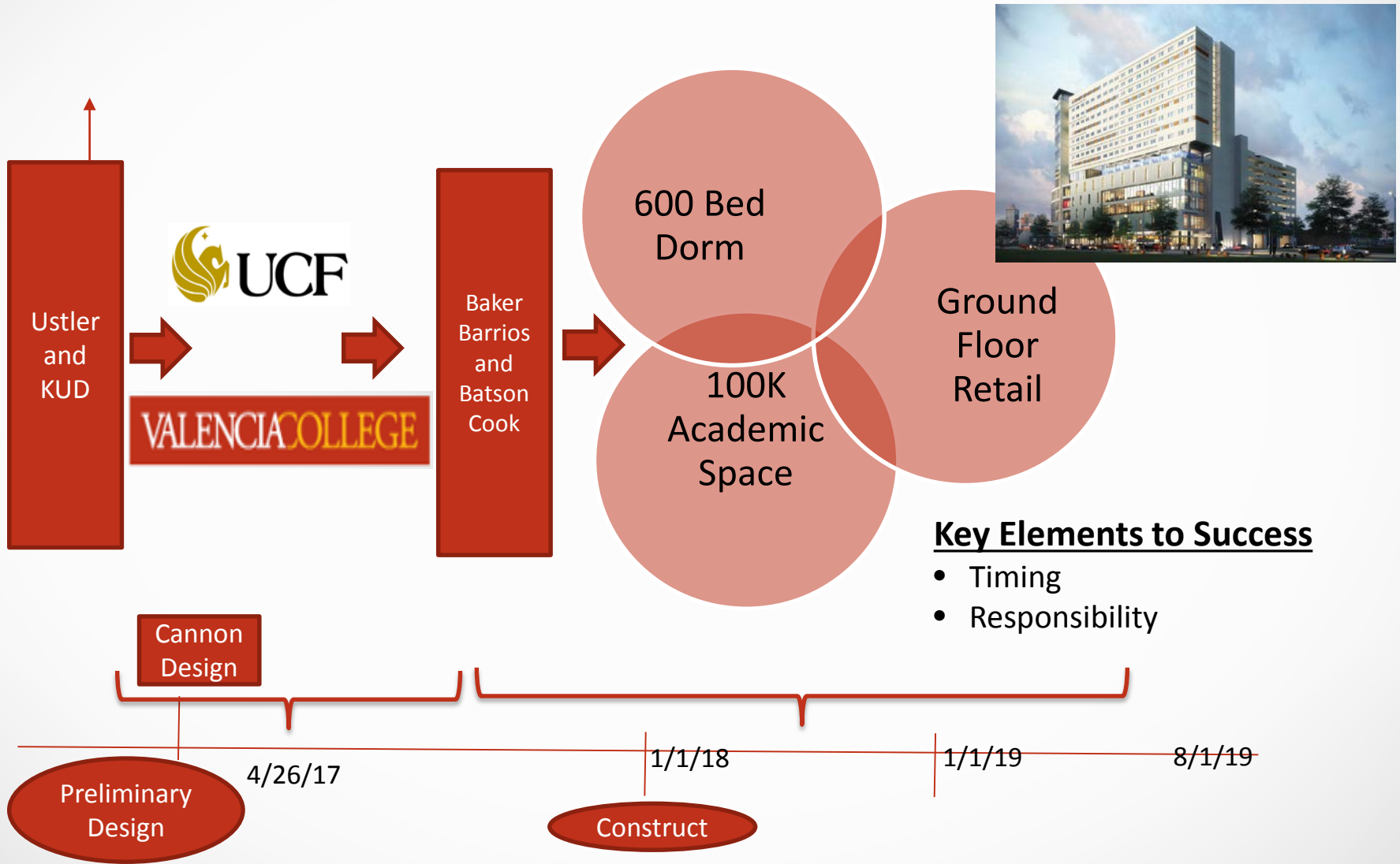
Downtown Campus – 4th Floor



Downtown Campus – 5th Floor



Downtown UCF / Valencia Campus



Academic Building – Lease

- 50,000 Square Feet of leased space
 - Primary floors 3 - 5 (3rd floor shared with UCF)
 - Connected to student services, student housing, parking garage
 - UCF leasing floors 1 – 3 (3rd floor shared w/ Valencia)
 - Approx. \$10,000,000 committment
- Lease Terms
 - 40 Year Lease + (2) 10 year terms / Open 09/2019
 - Utilities/Janitorial services to be paid by College
 - No improvements at end of term
 - Considered bargain lease agreement

Building

<u>Lease Year</u>	<u>Base Rent + CAM Per Sqr. Feet</u>	<u>Annual Base Rent</u>
(2019 - 2024)	\$6.75	\$337,500
(2024 - 2029)	\$7.63	\$381,500
(2029 - 2034)	\$8.51	\$425,500
(2034 - 2039)	\$9.39	\$469,500
(2039 - 2044)	\$10.27	\$513,500
(2044 - 2049)	\$11.15	\$557,500
(2049 - 2054)	\$12.03	\$601,500
(2054 - 2059)	\$12.91	\$645,500

50,000 Max. Square Feet of Rentable Space

Restaurant Space

- 5,000 Square Feet of leased space
 - First Floor Retail with market rate of \$25 - \$35
 - Able to sub-lease to third party manager
 - Consultant hired to determine marketability, concept and options.
 - Ability to opt out by December 29, 2017
- Intent is to provide students first hand work exposure in the food service / restaurant business

Restaurant

<u>Lease Year</u>	<u>Base Rent + CAM Per Square feet</u>	<u>Annual Base Rent</u>
(2019 - 2024)	\$10.75	\$53,750
(2024 - 2029)	\$12.15	\$60,750
(2029 -2034)	\$13.55	\$67,750
(2034-2039)	\$14.95	\$74,750
(2039 -2044)	\$16.35	\$81,750
(2044 -2049)	\$17.75	\$88,750
(2049 -2054)	\$19.15	\$95,750
(2054-2059)	\$20.55	\$102,750

5,000 Max. Square Feet of Rentable Space

Other Considerations

- Faculty/Staff parking options in both KUD/Ustler and UCF garage.
- Exterior and interior signage rights for partnership revenue opportunities
- First option to 15K SF in phase 2 building
- Food Hall Options
- Separate UCF management agreement for student housing
- Sharing agreement between UCF and Valencia



**The District Board of Trustees of Valencia College, Florida
Downtown Creative Village Campus**

Summary: MOU and Lease Agreement with Ustler Development, Inc. and KUD International LLC

April 26, 2017

- BACKGROUND:** This MOU is designed to describe the mutually agreed upon process by which the parties will acquire information and arrive at agreements in furtherance of the development of a student housing project at the new UCF/Valencia downtown campus at Creative Village, part of which will be leased by Valencia to house academic programs and related uses, and parts of which will be made available to Valencia students, through the University of Central Florida (UCF), for housing, parking, and student support purposes. One of the agreements under the MOU is the Lease Agreement, which is summarized herein.
- PARTIES:**
- Lessee:** The District Board of Trustees of Valencia College, Florida (Valencia)
- Lessor:** Ustler Development, Inc. and KUD International LLC (U/K)
- BUILDING:** Student Housing Project at Creative Village, Downtown Orlando, being developed by Ustler Development, Inc. and KUD International, LLC joint venture entity to contain approximately 600 student housing beds for UCF and Valencia students; 100,000 square feet of academic space and student support space leased to UCF and Valencia; 12,000 square feet of ground floor retail and restaurant space; and an integrated parking garage with roughly 600 spaces. Completion date is August 2019, concurrent with opening of the UCF/Valencia Downtown Campus.
- LEASED SPACE:** Approximately (+/- 50,000 SF) of space for the Valencia College culinary facility and related space which will be located on floors 3 – 5. The third floor will be a shared space with UCF while Valencia will occupy 100% of floors 4 & 5. In addition, a ground-floor restaurant (+/- 5,000 SF) will be located on the first floor of the building. This space will be delivered by U/K in shell condition. Valencia will be responsible for tenant build out and furniture, fixtures and equipment. Valencia will have the ability to sub-lease out the first floor space to a restaurant operator but the main use of the space is to encourage education and employment of students.
- OPERATING EXPENSES:** Valencia will pay for its own utilities (space will be separately metered) and janitorial. Given its academic use, the real estate taxes for the Valencia space will be \$0.00 based on its legal status.
- RENT:** The base rental rate will be \$5.75 per square foot. The rental rate shall remain at that level for five years and then raise on the first day of the sixth year by \$.75. This escalation will occur every

5th year thereafter. See the schedule of rent payments on attachment A.

CAM

A CAM / insurance rate will be incurred for both common area maintenance and insurance. The CAM rate shall remain at that level for five years and then raise on the first day of the sixth year. This rate will be set at \$1 per square foot and will have a similar escalation as the base rent (approx. \$.13 each 5th year).

TERM:

Initial term of forty (40) years, plus at least two ten (10) year extension terms, each of which may be added at the option of Valencia. Renewal of the lease will call for no improvements or leasing commissions to be paid by the Lessor at the end of each term.

RENT COMMENCEMENT DATE:

August 1, 2019, concurrent with opening of the UCF/Valencia Downtown Campus. The developer's agreement will override any term circumstances relative to schedule changes.

BARGAIN LEASE:

The amount of the difference between the Valencia rental rate and the market rate, as mutually agreed upon, shall be considered a donation to Valencia which may be recognized by the Valencia Foundation as a donation by U/K to Valencia to the extent allowed by federal tax laws and regulations. This assessment of valuation will be the responsibility of and paid for by the lessor.

EXPANSION:

On the floors where UCF leases space (floors 1- 3), if UCF vacates their space, Valencia will have the first rights to expand into the space. Should Valencia choose not to expand into the space, Valencia will have the ability to accept or deny who will take over the space and desires to ensure that no educational competitor or other non-conforming occupant occupies the space.

SIGNAGE:

Valencia will have exterior building signage rights to identify the Valencia academic space and the Walt Disney World School of Hospitality and Culinary Arts. This includes the ability to use this signage for partner/advertisers with the potential to provide revenue to the College. In addition, Valencia will have the interior signage opportunities to the 50,000 square feet serving the culinary and hospitality students.

RECOGNITION

Ustler Development, Inc. and KUD International LLC will be identified as a donor and will be given a meaningful name in recognition for their contribution to the project.

SECURITY DEPOSIT:

None.

GROUND FLOOR RESTAURANT SPACE:

This space (5,000 SF / -) will have a separate CAM identified with that space. This CAM covers common area maintenance for the restaurant space. This rate will be set at \$5 per square

foot and will have a similar escalation as the base rent (approx. \$.65 each 5th year).

Valencia College has until December 29, 2017 to determine if they want to occupy the restaurant space or it will be returned to the Lessor and excluded from the Lease Agreement.

LEASE AGREEMENT:

The Lease Agreement will be based on the terms and conditions, including the rental rate, outlined herein. The final Lease Agreement document and language are subject to expedited review and approval by U/K and Valencia. The rentable area in the Lease Agreement shall be based on final space plans and construction drawings for the Valencia space but will be capped at 50,000 SF for the area housing the culinary and hospitality schools and 5,000 for the restaurant.

FACULTY/STAFF PARKING

Valencia College will have 50 reserved or unreserved spaces at a rate to be determined before the signing of the Lease Agreement. If the reserved option is chosen, the mutually agreed upon locations for parking will be on one to two contiguous floors within the attached parking complex and will have signage for those spaces. Valencia will be responsible for how cars associated with the college will be identified. Valencia will have the ability to terminate the parking space rental agreement defined on an exhibit within the Lease Agreement for some or all of the spaces with 90 days' notice including up to the opening of the facility.

PHASE 1 STUDENT HOUSING AND PARKING:

UCF and U/K will enter into a management agreement whereby UCF will manage student housing facilities, with specifications for the allocation of student beds to Valencia students and Valencia good faith efforts to satisfy the allocation as mutually agreed upon by U/K, UCF and Valencia. Parking for Valencia students will be addressed.

PHASE 2

Valencia will be provided the first right to lease space in phase 2 of the student housing project, having the opportunity to occupy an estimated 15,000 square feet of ground floor space. This rate and terms will be negotiated separately from this lease agreement. Similar to Phase 1 and relating to the housing aspect, Valencia students will be provided the same proportional opportunities or allocations of students housing in Phase 1.

OTHER PROVISIONS

Valencia will have availability to Central Park for events at no rental costs. Should this use result in additional operational expenses (e.g. park clean up after an event) this cost will be covered by the organization that organized the event. This use will be coordinated with U/K. Valencia will also be provided with space in the planned Food Hall in the apartment building on Lot M being developed by Usler Group at no cost. Valencia

students will also offered training and job opportunities in Ustler-related restaurant ventures.

**FUTURE AGREEMENTS
WITH U/K:**

Development Agreement, incorporating and clarifying terms of MOU; Lease Agreement (with Work Letter) for buildout and use of space for Valencia culinary facility and related space. These documents will be expedited to ensure completion of the negotiation.

It is recognized that U/K, in order to facilitate and coordinate an efficient building process, have selected Baker Barrios (Architects) and Baston Cook (Construction) will complete the project. BBA and BCC are the design build teams for the core/shell building, student housing and UCF space. Tenant improvements made by Valencia will be coordinated through those vendors with milestone dates and control measures identified to ensure cost controls are maintained. Payments will be made through Lessor. Payments will be made within 15 days of invoice receipt assuming that the Valencia agrees with the related costs.

FINAL AGREEMENTS

Both Valencia and U/K have agreed in principal to the terms within this Memorandum of Understanding. Remaining elements for discussion relate to more specific terms and conditions to be addressed in the Development Agreement or Lease Agreement and all such elements are expected to be addressed as agreements are finalized.

**Valencia College : UJK
Schedule A - Summary of Lease Payments**

Year(Aug - July)	Total SF	Lease	CAM	Escalator	CAM ESC	Total	Ann w/o Rest	Rest SF	Rest CAM	Total Rest	Rest Total	Both
2019	50,000	\$5.75	\$1.00	\$0.00	\$0.00	\$6.75	\$337,500	5,000	\$5.00	\$10.75	\$53,750	\$391,250
2020	50,000	\$5.75	\$1.00	\$0.00	\$0.00	\$6.75	\$337,500	5,000	\$5.00	\$10.75	\$53,750	\$391,250
2021	50,000	\$5.75	\$1.00	\$0.00	\$0.00	\$6.75	\$337,500	5,000	\$5.00	\$10.75	\$53,750	\$391,250
2022	50,000	\$5.75	\$1.00	\$0.00	\$0.00	\$6.75	\$337,500	5,000	\$5.00	\$10.75	\$53,750	\$391,250
2023	50,000	\$5.75	\$1.00	\$0.00	\$0.00	\$6.75	\$337,500	5,000	\$5.00	\$10.75	\$53,750	\$391,250
2024	50,000	\$5.75	\$1.00	\$0.75	\$0.13	\$7.63	\$381,500	5,000	\$5.65	\$12.15	\$60,750	\$442,250
2025	50,000	\$5.75	\$1.00	\$0.75	\$0.13	\$7.63	\$381,500	5,000	\$5.65	\$12.15	\$60,750	\$442,250
2026	50,000	\$5.75	\$1.00	\$0.75	\$0.13	\$7.63	\$381,500	5,000	\$5.65	\$12.15	\$60,750	\$442,250
2027	50,000	\$5.75	\$1.00	\$0.75	\$0.13	\$7.63	\$381,500	5,000	\$5.65	\$12.15	\$60,750	\$442,250
2028	50,000	\$5.75	\$1.00	\$0.75	\$0.13	\$7.63	\$381,500	5,000	\$5.65	\$12.15	\$60,750	\$442,250
2029	50,000	\$5.75	\$1.00	\$1.50	\$0.26	\$8.51	\$425,500	5,000	\$6.30	\$13.55	\$67,750	\$493,250
2030	50,000	\$5.75	\$1.00	\$1.50	\$0.26	\$8.51	\$425,500	5,000	\$6.30	\$13.55	\$67,750	\$493,250
2031	50,000	\$5.75	\$1.00	\$1.50	\$0.26	\$8.51	\$425,500	5,000	\$6.30	\$13.55	\$67,750	\$493,250
2032	50,000	\$5.75	\$1.00	\$1.50	\$0.26	\$8.51	\$425,500	5,000	\$6.30	\$13.55	\$67,750	\$493,250
2033	50,000	\$5.75	\$1.00	\$1.50	\$0.26	\$8.51	\$425,500	5,000	\$6.30	\$13.55	\$67,750	\$493,250
2034	50,000	\$5.75	\$1.00	\$2.25	\$0.39	\$9.39	\$469,500	5,000	\$6.95	\$14.95	\$74,750	\$544,250
2035	50,000	\$5.75	\$1.00	\$2.25	\$0.39	\$9.39	\$469,500	5,000	\$6.95	\$14.95	\$74,750	\$544,250
2036	50,000	\$5.75	\$1.00	\$2.25	\$0.39	\$9.39	\$469,500	5,000	\$6.95	\$14.95	\$74,750	\$544,250
2037	50,000	\$5.75	\$1.00	\$2.25	\$0.39	\$9.39	\$469,500	5,000	\$6.95	\$14.95	\$74,750	\$544,250
2038	50,000	\$5.75	\$1.00	\$2.25	\$0.39	\$9.39	\$469,500	5,000	\$6.95	\$14.95	\$74,750	\$544,250
2039	50,000	\$5.75	\$1.00	\$3.00	\$0.52	\$10.27	\$513,500	5,000	\$7.60	\$16.35	\$81,750	\$595,250
2040	50,000	\$5.75	\$1.00	\$3.00	\$0.52	\$10.27	\$513,500	5,000	\$7.60	\$16.35	\$81,750	\$595,250
2041	50,000	\$5.75	\$1.00	\$3.00	\$0.52	\$10.27	\$513,500	5,000	\$7.60	\$16.35	\$81,750	\$595,250
2042	50,000	\$5.75	\$1.00	\$3.00	\$0.52	\$10.27	\$513,500	5,000	\$7.60	\$16.35	\$81,750	\$595,250
2043	50,000	\$5.75	\$1.00	\$3.00	\$0.52	\$10.27	\$513,500	5,000	\$7.60	\$16.35	\$81,750	\$595,250
2044	50,000	\$5.75	\$1.00	\$3.75	\$0.65	\$11.15	\$557,500	5,000	\$8.25	\$17.75	\$88,750	\$646,250
2045	50,000	\$5.75	\$1.00	\$3.75	\$0.65	\$11.15	\$557,500	5,000	\$8.25	\$17.75	\$88,750	\$646,250
2046	50,000	\$5.75	\$1.00	\$3.75	\$0.65	\$11.15	\$557,500	5,000	\$8.25	\$17.75	\$88,750	\$646,250
2047	50,000	\$5.75	\$1.00	\$3.75	\$0.65	\$11.15	\$557,500	5,000	\$8.25	\$17.75	\$88,750	\$646,250
2048	50,000	\$5.75	\$1.00	\$3.75	\$0.65	\$11.15	\$557,500	5,000	\$8.25	\$17.75	\$88,750	\$646,250
2049	50,000	\$5.75	\$1.00	\$4.50	\$0.78	\$12.03	\$601,500	5,000	\$8.90	\$19.15	\$95,750	\$697,250
2050	50,000	\$5.75	\$1.00	\$4.50	\$0.78	\$12.03	\$601,500	5,000	\$8.90	\$19.15	\$95,750	\$697,250
2051	50,000	\$5.75	\$1.00	\$4.50	\$0.78	\$12.03	\$601,500	5,000	\$8.90	\$19.15	\$95,750	\$697,250
2052	50,000	\$5.75	\$1.00	\$4.50	\$0.78	\$12.03	\$601,500	5,000	\$8.90	\$19.15	\$95,750	\$697,250
2053	50,000	\$5.75	\$1.00	\$4.50	\$0.78	\$12.03	\$601,500	5,000	\$8.90	\$19.15	\$95,750	\$697,250
2054	50,000	\$5.75	\$1.00	\$5.25	\$0.91	\$12.91	\$645,500	5,000	\$9.55	\$20.55	\$102,750	\$748,250
2055	50,000	\$5.75	\$1.00	\$5.25	\$0.91	\$12.91	\$645,500	5,000	\$9.55	\$20.55	\$102,750	\$748,250
2056	50,000	\$5.75	\$1.00	\$5.25	\$0.91	\$12.91	\$645,500	5,000	\$9.55	\$20.55	\$102,750	\$748,250
2057	50,000	\$5.75	\$1.00	\$5.25	\$0.91	\$12.91	\$645,500	5,000	\$9.55	\$20.55	\$102,750	\$748,250
2058	50,000	\$5.75	\$1.00	\$5.25	\$0.91	\$12.91	\$645,500	5,000	\$9.55	\$20.55	\$102,750	\$748,250