



September 27, 2017

TO: THE DISTRICT BOARD OF TRUSTEES
of Valencia College

FROM: SANFORD C. SHUGART
President

RE: APPROVAL OF LEASE AGREEMENT – USTLER DEVELOPMENT, INC, AND
DEVELOPMENT VENTURES GROUP, INC., (USTLER/DEVEN)

Ustler/DEVEN will develop a building within downtown Orlando's Creative Village that will be home to an education and education support space, to be partially occupied by Valencia's Walt Disney World School of Hospitality and Culinary Arts. This instructional space is set to be open and be ready for occupancy in August 2019, in time for the fall semester. Ustler/DEVEN and Valencia College have negotiated the proposed lease agreement's terms and conditions, subject to the District Board of Trustees' approval.

The details of this long-term, bargain rate lease agreement are described in the attached summary of the proposed lease agreement with Ustler/DEVEN. This summary is consistent with the prior Memorandum of Understanding and with prior Board presentations and discussions.

RECOMMENDED ACTION:

The President recommends that the District Board of Trustees of Valencia College approve the Lease Agreement with Ustler Development, Inc. and Development Ventures Group, Inc., as presented.

A handwritten signature in black ink, reading "Sanford C. Shugart". The signature is written in a cursive style and is positioned above a horizontal line.

President

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

**Summary of Proposed Lease Agreement
with Ustler Development, Inc. / Development Ventures Group, Inc.**

September 27, 2017

- BACKGROUND:** This Lease Agreement is in furtherance of the development of an educational facility which includes instructional space, student housing, and associated parking 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.
- PARTIES:**
- Lessee:** The District Board of Trustees of Valencia College, Florida (Valencia)
- Lessor:** Ustler Development, Inc. and Development Ventures Group, Inc. (U/DEVEN)
- THE BUILDING:** Student Housing Project at Creative Village, Downtown Orlando, being developed by U/DEVEN 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/education support space; and an integrated parking garage with roughly 600 spaces. Completion date is August 2019, concurrent with opening of the UCF/Valencia Downtown Campus.
- THE LEASED SPACE:** Approximately (+/- 50,000 SF) of space for the Valencia College culinary program 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/education support (+/- 5,000 SF, and adjacent outdoor space) will be located on the first floor of the building. This space will be delivered by U/DEVEN 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.

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). The restaurant/education support space (5,000 SF / -) will have a separate CAM. This CAM covers common area maintenance for the first floor 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).

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. For restaurant/education support space on first floor, Valencia may opt out of leasing this space before December 29, 2017, or may terminate its lease of this space at the end of each year for the first five years, or at the end of each five year period during the effective term of the lease thereafter.

RENT COMMENCEMENT DATE: August 1, 2019, concurrent with opening of the UCF/Valencia Downtown Campus, subject to Project Agreement schedules.

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/DEVEN 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 be allocated 45% of the building's exterior building signage rights. This includes the ability to use this signage to identify the Valencia academic space and the Walt Disney World School of Hospitality and Culinary Arts and 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, and separate signage rights for the first floor restaurant/education support space.

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.

FACULTY/STAFF PARKING

Valencia College will have 50 unreserved spaces at a rate which will be market-based, and will reflect the lowest existing or prevailing monthly arm's length parking rates being charged from time to time by Landlord to third party, non-residents using the Parking Garage. Valencia will be responsible for how cars associated with the college will be identified.

PHASE 1 HOUSING//PARKING

UCF and U/DEVEN 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/DEVEN, UCF and Valencia. Parking for Valencia students will be addressed.

PHASE 2 HOUSING//PARKING

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. The lease rate and terms will be negotiated separately from this Lease Agreement.

Similar to Phase 1 and the related housing aspect of the project, Valencia students will be provided the same proportional opportunities or allocations of students housing in Phase 1.

OTHER PROVISIONS

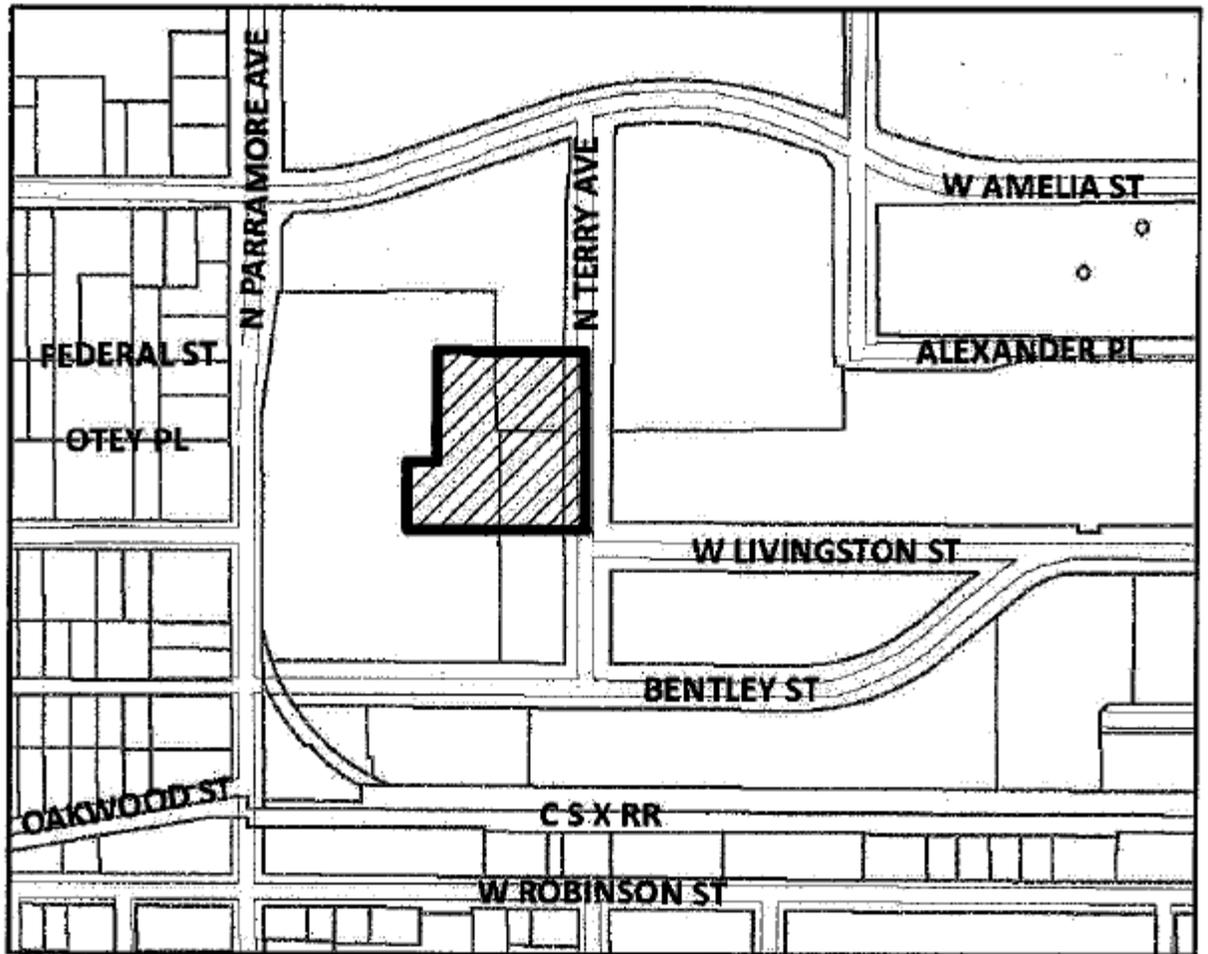
Valencia and UCF will enter into a space sharing agreement to specify rights and obligations with respect to use of shared spaces and respective obligations for provision of space-related services and the repair and replacement of personal property.

EXHIBITS: (SEE FOLLOWING PAGES FOR LAND DESCRIPTION/ FLOOR PLANS)

- EXHIBIT "A" BUILDING LAND LEGAL DESCRIPTION**
- EXHIBIT "B" PREMISES FLOOR PLANS**
- EXHIBIT "C" EXCLUSIONS TO OPERATING EXPENSES**
- EXHIBIT "D" WORK LETTER**
- EXHIBIT "E" PROVISIONS FOR TENANT'S PARKING SPACES**
- EXHIBIT "F" RULES AND REGULATIONS – EDUCATION TENANTS**

EXHIBIT "A"

BUILDING LAND LEGAL DESCRIPTION

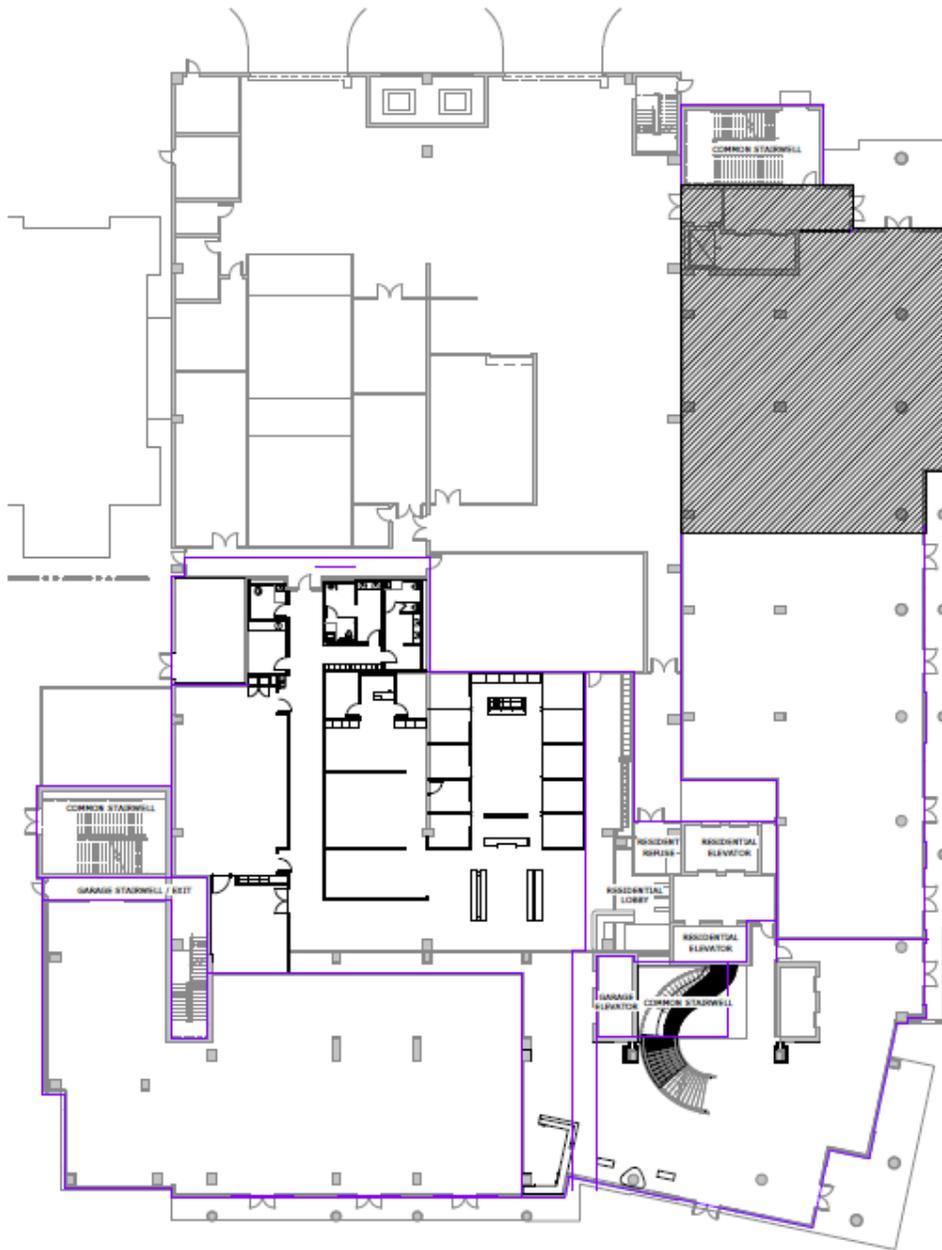


Creative Village; Parcel J; Lot 4



EXHIBIT "B"

PREMISES FLOOR PLANS

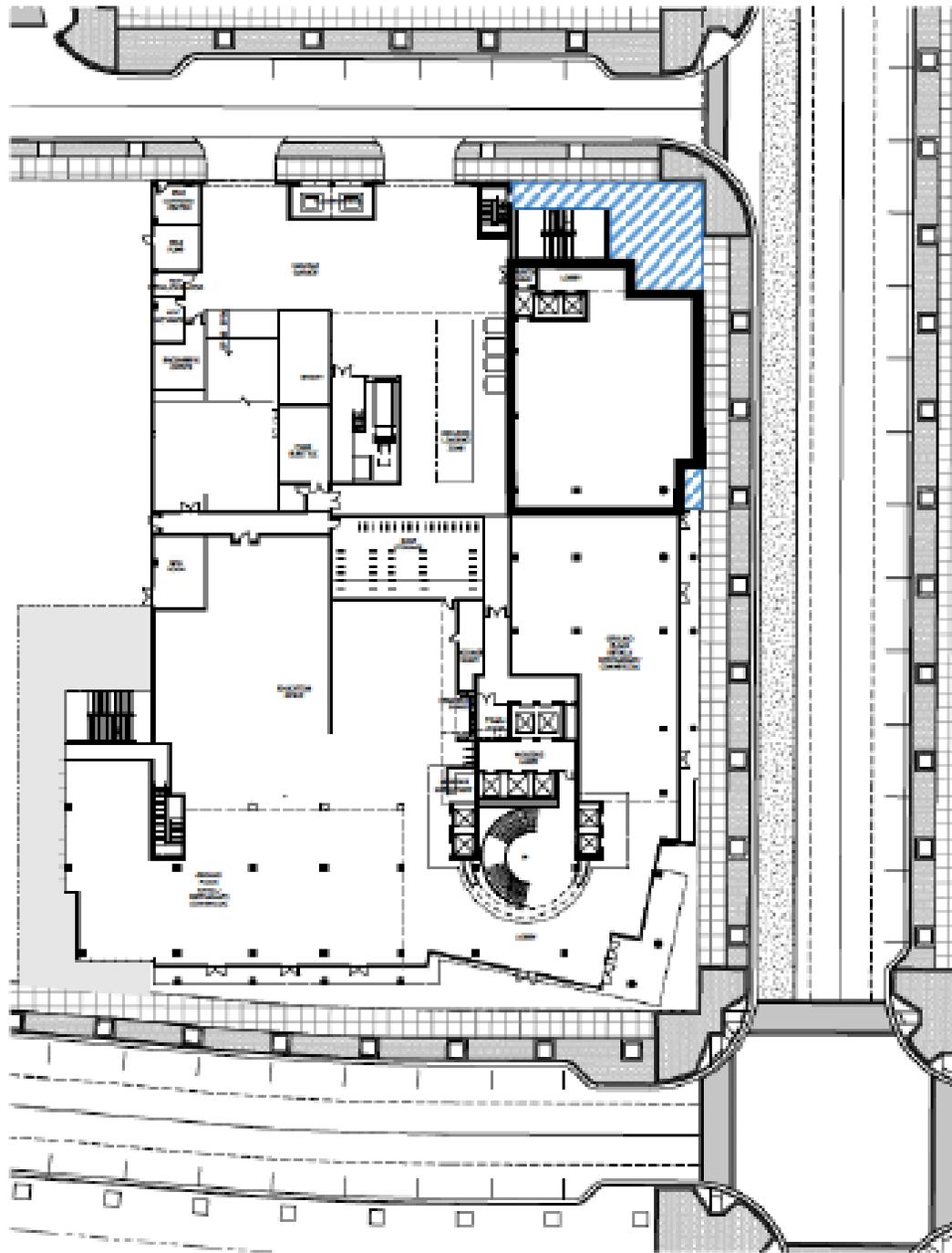


VC LEVEL TOTAL: 5,000 SF [SF represents Actual Rentable Area per Section 1(Y) of this Lease] LEVEL 01

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Valencia Lease
Outdoor Seating Area

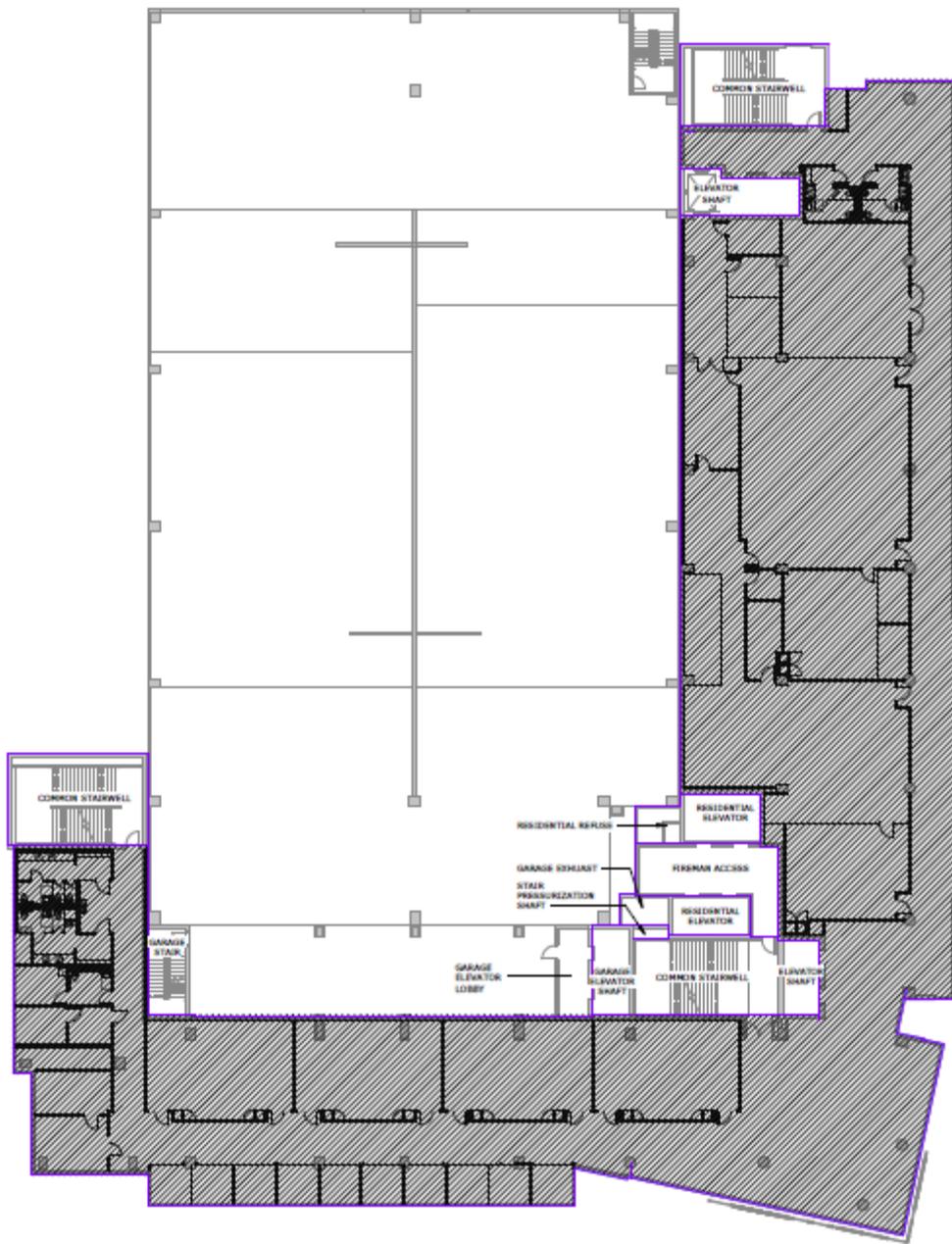


A1 OVERALL LEVEL 1 - CIVIC



Approximate outdoor seating area

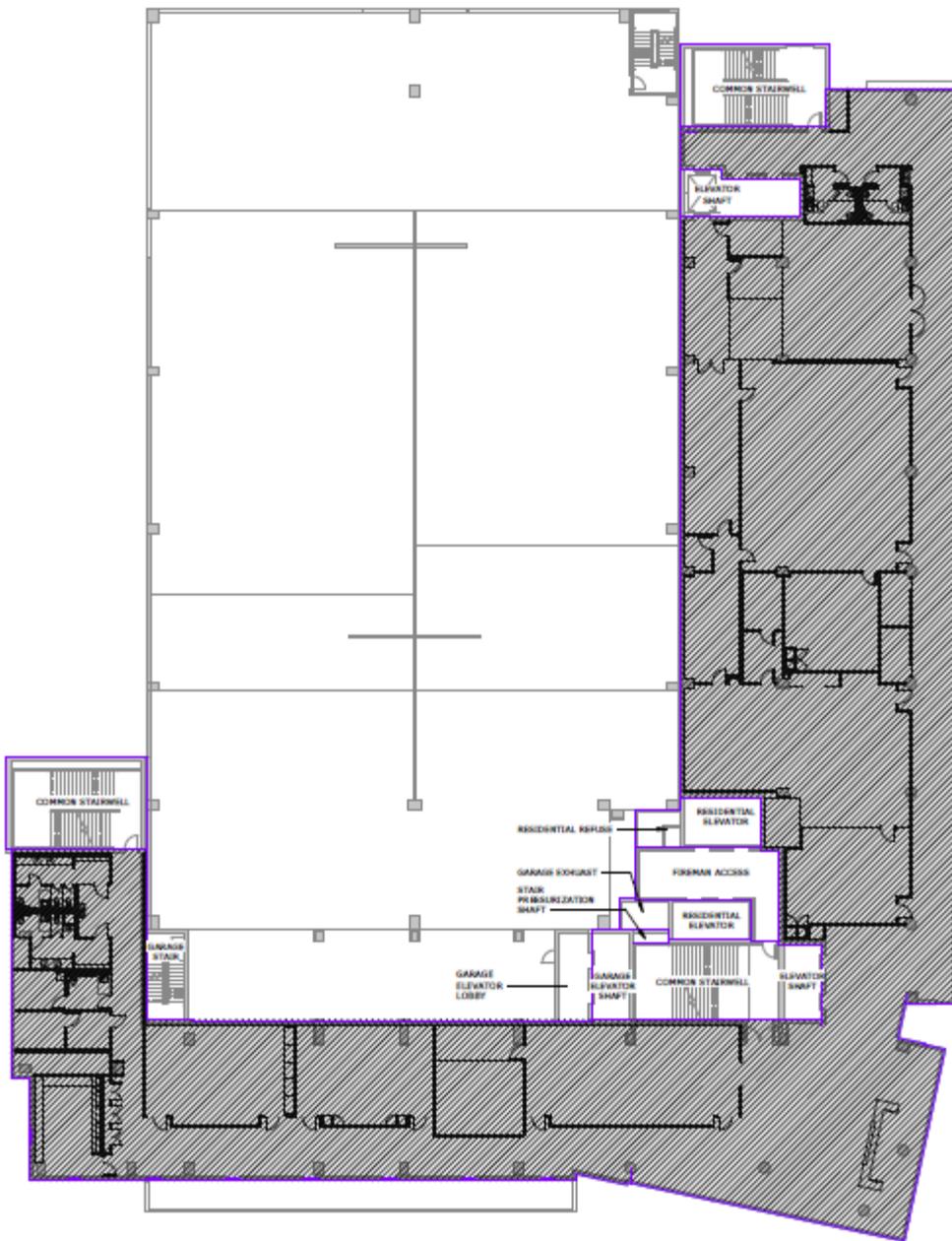
August 14, 2017



VC LEVEL TOTAL: 21,635 SF [SF represents Actual Rentable Area per Section 1(Y) of this Lease] LEVEL 04

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 June 27, 2017





VC LEVEL TOTAL: 21,106 SF [SF represents Actual Rentable Area per Section 1(Y) of this Lease] LEVEL 05

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June 27, 2017



Building Lease Rates

<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

Restaurant Lease Rates

<u>Lease Year</u>	<u>Base Rent + CAM Per Square foot</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