



**JOINT STRATEGIC PLANNING AND  
AUDIT AND FINANCE COMMITTEES**

**Minutes**

**Wednesday, July 22, 2009**

Trustee Robert Stilley, Chair of the Audit and Finance Committee, convened the meeting with the following board members present from both the Audit and Finance Committee as well as the Strategic Planning Committee present:

Trustees Scott Adams, Chair of the Strategic Planning Committee; Nancy Blosser, Anthony Barbar, William Bryant, David Feder, Armand Grossman, Lalita Janke, Timothy Lenz, Sherry Plymale, Tiffany Weimar, Thomas Workman.

The following university officials attended:

President Frank T. Brogan, President; Dr. John Pritchett, Provost; Mr. David Kian, Senior Vice President for Strategic Relations and General Counsel; Mr. Randy Goin, Chief of Staff; Dr. Ken Jessell, Senior Vice President for Financial Affairs; Dr. Charles Brown, Senior Vice President for Student Affairs; Dr. Kristen Murtaugh, Vice President for Strategic Planning.

AFSP: A-1. Recommend Approval of the Formation of a Pre-Development Agreement with Crocker Partners, LLC.

AFSP: A-2. Recommend Authorization of the Formation of a Not-for-Profit Corporation

President Brogan provided an introduction to the significance of the Innovation Village project as well as what its future will signify for Florida Atlantic University. President Brogan stated that for the past six years a comprehensive strategic plan has existed and important component is the continued access of opportunities that a campus such as FAU can offer; its ability for years to reach students that otherwise would have been restricted from of a higher education degree are not able to access multiple campuses and programs that extend a 140 mile radius across the South East Florida Coast line.

The university made a decision to simultaneously increase the traditional foundation of the university while continuing to provide broad access. This decision creates an opportunity to draw new generations, provide opportunities to observe retention and graduation rates increase, create living learning communities through the housing department. These opportunities serve as

guideposts and benchmarks for the university as rally points in unifying traditional as well as non-traditional students in engaging in organizations such as Greek Life, athletics and various organizations and clubs that are found in a traditional university setting. Amongst other Florida state universities to execute the decision to transform from non-traditional to traditional is the University of Central Florida based in Orlando, Florida. UCF exercised the same blueprint as FAU; faced with multiple campuses, significant percentage of community college transfers and decided to utilize the opportunity to transfer into a more traditional university. The matrix of the change has yielded a rise in academic success exemplified through an increase in student grade point averages, increase in the average of SAT and ACT scores as well as an increase in graduation rates. While UCF still remains a university with a large base of commuter students, these students are granted the same access to all aspects of university life.

The introduction of the Harold and Marleen Forkas Alumni center serves as a statement of FAU transforming into an intergenerational university in which our graduating classes are filled with descendants of previous FAU alumni. FAU is growing up in age, volume, quality and reputation. Completion of the new fitness center is a realization of phase 1 of the projects underway and with phase 2 approaching midyear completion are symbolic of the future and exciting times that are to come. The Engineering building which is under construction at this time will be a LEED facility, platinum and premier engineering building which will help to solidify a greater reputation. President Brogan noted that one can begin to envision the cluster of student housing, new retail opportunities for students, faculty and staff as well as the football stadium that are soon to join the FAU Boca Raton campus. While there is much pride and excitement that is seen in groundbreaking and ribbon-cutting ceremonies of these new facilities, it remains what occurs in these buildings that are truly phenomenal. Changes of these magnitude are not only occurring on the Boca Raton campus but are occurring through the Broward campuses with the introduction of new Student Unions; the Jupiter campus is welcoming the construction of a 10,000 gross square facility that will house research from the Max Planck Institute; the Harbor Branch Oceanographic Institute's developments are all projects that are making statements about the future of FAU. Innovation Village is a culmination of sorts but is also a beginning of great things to come to FAU. It provided an opportunity for the private sector to unite with FAU's vision and to help create a stronger higher education institution.

Mr. David Kian presented the presentation that would explain the recommended approval of a preliminary development agreement for Innovation Village with Crocker Partners, LLC and to authorize administration to form a not-for-profit corporation that will in the future be brought back before the Board of Trustees for certification as a direct support organization of FAU solely for the support of Innovation Village. Mr. Kian stated that this project has been a culmination of years of effort and an implemented directive to become a more traditional, first choice university. The back-up information provided prior to this meeting contained both the description as well as the actual text of the Innovation Village project. This presentation served as a more contextual

understanding of how FAU got to this point of the project and what it wishes to accomplish. The agenda of the presentation is divided into: the Invitation to Negotiate (ITN), the project team, Innovation Village, Project Overview and lastly, a question and answer segment.

In April of 2008, the administration proposed a concept of Invitation to Negotiate is a process of public procurement law which invites service providers to negotiate in a more flexible matter than a defined Request for Proposal (RFP) or Request for Qualification (RFQ) which is more typically used. An ITN allows an agency to engage with responders to benefit and negotiate with multiple offers to assess their strengths. FAU was facing a significant shortage of residential housing with a current waiting list of 600 students and therefore there was an eminent need for residential housing on the campuses.

Commonly bonds are used for the construction of residence halls. These bonds are backed by revenues of the residence halls and are approved by the Board of Governors and Division of Bond Finances. The architectural and engineering companies, Balfour Beatty and PGAL were simultaneously selected and became important parts of Innovation Village. All 2400 beds were bundled as transferred as developmental rights to the management company. The Athletics Department's Brian McNealy met with Craig Angelos and Mr. Kian to propose the idea of assigned contracts. These residential halls would be designed specifically for upper division students, graduate students as well as professional students.

An ITN committee was created and chaired by Dr. Kenneth Jessell. The committee also consisted of Dr. Charles Brown, Mr. Tom Donaudy, Ms. Azita Dashtaki, Ms. Jill Eckardt, and Mr. Craig Angelos. This committee defined the ITN, issued the ITN in September of 2008 and through a vigorous four month process was able to obtain formal bids from four teams, all of which expressed the proposed vision as well as remained mindful of the importance of enhanced student experience. A unanimous decision was reached and Crocker Partners, LLC was selected. Mr. Kian presented the project team and introduced the members of the team. Balfour Beatty and PGAL have earned the confidence of the university since they have been utilized before and have produced exceptional work. The team consisted of Angelo Bianco, Ray Sutheran, Al Prejenni, and Clint Glass. The Capstone Development Team is a close partner of FAU housing and team Jeff Jones and Walker May. Ian Nelson is the representative of PGAL. The management team is primarily responsible for property management while Housing and Residential Life would be responsible for the student support aspects. Capstone was created exclusively for University Housing and has yielded 50,000 beds and over sixty plus partnerships with various universities nationwide.

Trustee Anthony Barbar has provided significant involvement and participation. It is proven that increased participation from trustees in the previous years has been critical in reaching successful results for the projects under taken. Mr. Kian commented on Norman Tripp's involvement in the

University of Miami and Florida Atlantic University Medical School collaboration, Trustee Nancy Blosser's dedication to the development of the strategic plan as well as Trustee Adams expertise in the Clearwire and business relations.

Shared governance would exist between Capstone Management and Florida Atlantic University Housing and Residential Life. Once again clarifying that FAU Housing and Residential Life would be the primary decision making in the student and discipline aspects of on-campus living. The project has an anticipated August of 2011 delivery of 1200+ beds prior to the completion of phase 1. The specifications of the rooms will be four bedroom and two baths or two bedrooms and two baths. The building will be a LEED silver certification and the design is subject to FAU approval. It will consist of two seven story buildings and parking at an anticipated 80% of residents.

The Direct Support Organization (DSO) will own the University Housing. Bonds are a standard means of absorbing the cost related to the construction of the new buildings. Bonds have been utilized in UCF, USF as well as on the Jupiter campus of FAU. A new DSO would be created that would have a legal responsibility to solely take on the debt for FAU and to sublease to operational agreement, rent on ground lease. It will hold no other recourse to FAU and solely by revenue, solely for housing and will remain a standalone project. Revenue can be applied to the stadium if so decided later on but will be subject to BOT's approval.

Financing will be through tax-exempt bonds by Direct Support Organizations and repaid by project revenues. These bonds will fall into two classifications: Senior bonds (public placement) which will have a 30 year fixed rate and Subordinate bonds (private placement) which will be paid last. These bonds are developer investment and payment is contingent upon project performance and is therefore paid last. These bonds will be reimbursed through bond closing. Mr. Kian commented that from a financial standpoint is not different from other projects.

**There was a motion to recommend approval of the Pre-Development Agreement with Crocker Partners, LLC. by Trustee Sherry Plymale. The motion was seconded by Trustee Armand Grossman. Trustee Stilley opened the floor for further discussion.**

In discussion of the recommendation, Trustee Feder questioned whether it was efficient of operations to have two different entities managing the resident halls as well as who determines what the students pay to reside in these halls. Mr. Kian replied and stated that as far as pricing for students, it would remain subject to the Board of Trustees to determine. There will be a tentative rate assumption, next year it is anticipated to increase to 5% and another 5% the following year with the inclusion of premiums. The Board has always made it a point to insure that the set rates are set to meet the sufficient debt and rental rates are to meet the debt and the operational costs.

Trustee Barbar expressed the interesting nature of the project and the key is to have a right team and that is what makes it a good project for FAU. Risking \$3-5 million is a testimony of how the companies feel of the success of the project and the future of FAU. Trustee Stilley stated that expenses on page six of the back-up material will only be incurred but a direct support organization will reimburse and expenses will occur that have been approved by the BOT. Trustee Janke questioned where in the midst of a severe financial crisis that the university is facing, where would the financing for pre-approval generate from. Mr. Kian responded that the money would come from Housing reserves and approval will be required to ensure that expenses do not exceed that which cannot be absorbed.

Trustee Plymale questioned the 70% parking space in relation to the number of students living in the residence hall and whether or not there are any alternative plans since nearly all or most of the students will have vehicles. Mr. Kian stated that parking would be reserved for students living in the building. Trustee Plymale then asked whether or not there would be a guideline as to who has cars and who doesn't. Mr. Kian stated that while there was not any data, the utilization of the shuttle services would more than likely increase. Trustee Plymale commented that University of North Florida has guaranteed each student a parking spot in their news residence halls. Mr. Kian has commented on the structured parking and while it is attractive, it is not financially feasible since they are significantly more expensive even with a premium. Trustee Stilley questioned who would oversee the parking situation, would it be the DSO or FAU. Mr. Kian responded that it would be either one or the other, although right now it stays with FAU.

Trustee Weimar asked where the overflow of parking would be rerouted to. Mr. Kian stated that this is still being refined and right now it is set to absorb 840 spaces but it has yet to be determined. Trustee Weimar followed up and asked in terms of disciplining, would it remain the responsibility of the university or capstone for situations such as eviction. Mr. Kian stated that residence hall policies will remain and will be enforced by FAU. Mr. Stilley questioned whether or not the management fees are affected to receive an "A" rating. Mr. Kian responded that developers are not asked specifically; though they will receive fair compensation for the quality of their work.

**With no further discussion the motion passed unanimously.**

**There was a motion to recommend authorization to form a direct support organization of FAU for Innovation Village by Trustee Scott Adams. The motion was seconded by Trustee William Bryant. With no further discussion the motion passed unanimously.**

President Brogan thanked everyone for the work they have to done to help the project reach this point. Trustee Stilley stated that this project like so many others serves as a perfect example of

what President Brogan has done and brought to this campus. All of these projects have made his tenure at FAU successful; from his vision with HBOI to housing.

**There was a motion to adjourn the joint Audit and Finance and Strategic Planning committee meeting by Trustee Armand Grossman. The motion was seconded by Trustee Lalita Janke. The meeting was adjourned.**