

DESCRIPTION OF LEASE APPROVAL FOR CONSIDERATION

December 1, 2016

UNIVERSITY OF SOUTH CAROLINA

PROJECT NAME: Park Place Columbia Student Housing
REQUESTED ACTION: New Lease Approval
REQUESTED ACTION AMOUNT: \$11,035,551.54
INITIAL CHE APPROVAL DATE: N/A

DESCRIPTION:

The University of South Carolina requests approval to lease 424 student housing beds from Park 7 Group at their Park Place property at 506 Huger Street in Richland County to address current demand for student housing for the Columbia campus. The lease term is August 1, 2017 through July 31, 2020, with four one-year options to extend.

This is a new lease that will address a portion of the deficit in University provided housing. For 2016-2017, there is demand from students for more beds than the University can provide. This unmet demand is expected to grow to approximately 4,200 beds by the 2019-2020 academic year. The occupancy rate for University housing was 99.02% for 2016, and has ranged from a high of 101.18% to a low of 98.38% over the past five years.

The University is planning a new major student housing project in the South Campus area to address the increase in demand, but that project is not anticipated for final completion until 2024. This lease will allow the University to operate this block of rooms in the same fashion as University owned housing.

<u>Term</u>	<u>Annual Rent</u>	<u>Bi-Annual Rent</u>	<u>Monthly Rent</u>	<u>Average Rent Per Bed Per Month</u>
Year 1	\$3,570,336	\$1,785,168	\$297,528	\$702
Year 2	\$3,677,446	\$1,838,723	\$306,454	\$723
Year 3	\$3,787,769	\$1,893,885	\$315,647	\$744
Total	\$11,035,551			

RECOMMENDATION:

Staff recommends approval of this lease provided the rates and terms are approved by the Department of Administration.

**Occupancy Trends
University of South Carolina
From 2007-2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10 year change
New Students	3,777	4,037	4,175	4,308	4,721	4,831	5,180	5,548	5,609	5,951	57.6%
New Freshmen	3,453	3,637	3,748	4,196	4,493	4,455	4,865	4,851	4,956	4,943	43.2%
Transfers	324	400	427	112	228	217	147	369	301	562	73.5%
Gamecock Gateway						159	168	328	352	446	
Continuing Students	2,168	1,999	2,062	1,703	1,777	1,738	959	1,035	1,060	722	-66.7%
TOTAL Students Housed	5,945	6,036	6,237	6,011	6,498	6,569	6,139	6,583	6,669	6,673	12.2%
Freshman Class Size	3,720	3,865	4,062	4,493	4,636	4,704	5,043	5,053	5,385	5,289	42.2%
%Housed	92.8%	94.1%	92.3%	93.4%	96.9%	94.7%	96.5%	96.0%	92.0%	93.5%	
Undergraduate Enrollment (full-time)	17,247	18,289	20,156	21,130	22,528	22,890	23,993	24,864	25,237	25,311	46.8%
Occupancy Total Fall (Highest)	6,051	6,036	6,245	6,065	6,497	6,543	6,171	6,600	6,643	6,581	8.8%
Occupancy Total Fall (Highest as %)	98.07%	99.42%	94.48%	101.07%	99.37%	100.03%	101.18%	98.38%	99.06%	99.02%	
Residence Hall Capacity	6,170	6,071	6,610	6,001	6,538	6,541	6,099	6,709	6,706	6,646	7.7%
Total New Student Applications	4,293	4,578	4,417	4,600	5,357	4,975	5,180	5,957	6,001	6,270	
Total Returner Applications	3,368	2,900	2,825	2,908	2,818	2,638	2,159	2,147	2,675	2,128	-36.8%
Total Applications	7,661	7,478	7,242	7,508	8,175	7,613	7,339	8,104	8,676	8,398	
Wait List Numbers at end of sign-up	1,200	901	763	1,205	1,041	900	1,200	1,112	1,615	1,406	17.2%

Additional Supporting Documentation - Park Place Columbia Student Housing

1. How will these students be selected?

Students will apply for housing, just like they would for any of our other residence halls. Given that these beds will be apartment-style and better suited for upperclassmen or specific populations, it is unlikely that first-time freshmen will reside here. Students will be assigned primarily on their desire for 12 month housing and/or their program of study. We have programming options that include renting to international students, Gamecock Gateway students, and transfer students.

2. Will students lease for 9 or 12 months?

Students will lease for 12 months, which is consistent with the apartment market.

3. What is the price for comps?

Prices negotiated with Park Place in most categories are below market comparable properties. It is important to note that at Park Place 65% of the units we are leasing are 4 & 5 bedroom units at the \$649 rate.

MARKET BASE RATE COMPARABLES TO PARK PLACE RATES

	Studio	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 bedroom
PARK PLACE	\$1,120.00	\$950.00	\$740.00	\$715.00	\$649.00	\$649.00
VISTA COMMONS	\$1,136.00	\$1,081.00	\$681.00	\$535.00	n/a	n/a
650 LINCOLN STREET	n/a	n/a	n/a	\$750.00	\$750.00	n/a
ASPYRE	\$1,025.00	\$1,000.00	\$720.00	\$654.00	n/a	n/a
PULASKI SQUARE	n/a	n/a	n/a	\$750.00	n/a	n/a
THE HUB	n/a	\$995.00	\$675.00	\$695.00	\$660.00	\$650.00



ASSOCIATE VICE PRESIDENT FOR
BUSINESS AFFAIRS

October 20, 2016

Mr. Ashlie Lancaster
The South Carolina Department of Administration
1200 Senate Street, Suite 460
Columbia, SC 29201

Dear Ms. Lancaster:

Pursuant to the lease solicitation that has been issued by the Department of Administration, the University of South Carolina seeks approval to lease 424 student housing beds from Park 7 Group at their Park Place property to meet current demand and future projections for University provided student housing for the Columbia campus. The lease term is August 1, 2017 through July 31, 2020, with four one-year options to extend.

In 2016 the University conducted a Student Housing Demand Assessment to analyze the need for new student housing as enrollments grow and buildings in its inventory reach the end of their useful life. The study shows that even with the existing buildings still in service, there is a deficit in University provided student housing that will increase over time. For 2016-2017, there is demand from students for approximately 1,900 more beds than we can provide. This unmet demand is expected to grow to approximately 4,200 beds by the 2019-2020 academic year. We are planning a new major student housing project in our South Campus area to address the increase in demand, but that project will need to be accomplished in several phases, and final completion is not anticipated until 2024.

The private student housing market is addressing much of the need for student housing from upperclassmen, but the University must provide housing for all freshmen and critical programs like the Honor's College, Capstone Scholars, and Preston College which have living/learning programs that are a part of the educational mission of the Colleges. The lease will allow the University to operate this block of rooms in the same fashion as University owned housing.

We were fortunate in the lease solicitation process to have had a nearby facility respond with sufficient beds available to lease to the University to supplement its inventory and assist in meeting demand while the Campus Village project is being implemented. Your office provided

invaluable assistance in soliciting and negotiating this lease on our behalf at a rate that will fit within the current on-campus housing structure for similar facilities.

The proposed lease was approved by the University of South Carolina Board of Trustees at its meeting on October 14, 2016. We would appreciate your office advancing this request for lease approval to the Joint Bond Review Committee and the State Fiscal Accountability Authority for inclusion on their December meeting agenda.

Please feel free to contact me if you have questions.

Sincerely,


Helen Zeigler, AVP
Business Affairs



UNIVERSITY OF
SOUTH CAROLINA

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AMY E. STONE
Secretary

At the October 14, 2016, meeting of the Board of Trustees, the following motion was presented by Chairman John C. von Lehe Jr. and approved. The agreement, which begins August 1, 2017, can be extended up to four additional years.

“On behalf of the Executive Committee, I move approval of a three-year governmental real estate lease agreement with CD/Park 7 to provide 152 units consisting of 424 beds located at 506 Huger Street for use as student housing facilities at a total cost of \$11,035,551.54.”

Amy E. Stone
Secretary of the Board of Trustees

October 19, 2016

Date

GOVERNMENTAL REAL ESTATE LEASE AGREEMENT (Excerpts)
(Park Place Columbia – Student Housing)

THIS GOVERNMENTAL REAL ESTATE LEASE AGREEMENT (this “Lease”) is between CD/Park 7 Columbia SC Owner LLC (the “Landlord”), and University of South Carolina, an agency of the State of South Carolina and state-supported institution of higher learning, as tenant (in such capacity, hereinafter the “Tenant”). Landlord and Tenant are sometimes jointly referred to herein as the “Parties” or separately referred to herein as a “Party.” This Lease is to be effective as of the date approved by Real Property Services (the “Effective Date”).

ARTICLE 1 - LEASE OF DEMISED PREMISES

1.1. Landlord hereby leases and lets to the Tenant and the Tenant hereby takes and hires from the Landlord, upon and subject to the terms, covenants and provisions hereof, the premises consisting of 152 units consisting of 424 beds (the “Demised Premises”) located in various buildings (collectively, the “Building”) located at 506 Huger Street, Columbia, South Carolina 29201, in the County of Richland, State of South Carolina (the “Land”), together with the benefit of any and all easements, appurtenances, rights and privileges now or hereafter belonging thereto. The units and floor plans of the Demised Premises are attached hereto as Exhibit “A.”

ARTICLE 2 - TERM

2.1. The term of this Lease shall be three (3) years (the “Initial Term” or “Term”) beginning on August 1, 2017, (the “Commencement Date”) and, unless terminated or extended, shall end on July 31, 2020, (the “Termination Date”). Provided there is no continuing event of default hereunder by the Tenant and subject to the approval of the Division of General Services, Real Property Services and any other required State and/or Federal approvals, the Tenant shall have the right to extend the term of this Lease for up to four (4) terms of one (1) year (the “Extended Term”) upon the same terms and conditions contained herein, except the amount of Basic Rent which shall be paid in accordance with Article 3 of this Lease, by giving written notice to Landlord of Tenant's intent to extend the then existing term at least ten (10) months prior to the expiration of the then existing term, unless otherwise provided herein. Further, if Tenant fails to extend by the deadline set forth hereinabove, Landlord agrees to notify Tenant in writing of such failure, and Tenant shall have thirty (30) days from Landlord's written notice to the Tenant of the Tenant's failure to extend the Lease in accordance with this subparagraph 2.1 to exercise the extension before the option is no longer available to Tenant. Tenant shall have the right, upon written request to Landlord and Landlord's approval of such request and subject to any and all requisite governmental approvals, to lease additional beds up to a maximum of 640 total beds during the Initial Term and Extended Term on terms and conditions approved by Landlord in its sole discretion, provided additional units are available as determined by Landlord from time to time. Such additional beds shall become part of the Demised Premises effective as of the date the additional beds are made available to the Tenant, and all rent and other charges shall be pro-rated as of the date the additional beds become a part of the Demised Premises.

ARTICLE 3 - RENT

3.1. Tenant shall pay rent (the “Basic Rent”) to Landlord during the first year of the Initial Term at the rate as follows:

- \$ 950.00 per bed per month for a Studio unit – the number of units: 13.
- \$1,120.00 per bed per month for a 1 Bedroom unit – the number of units: 17.
- \$ 740.00 per bed per month for a 2 Bedroom unit – the number of units: 41.
- \$ 715.00 per bed per month for a 3 Bedroom unit – the number of units: 15.
- \$ 649.00 per bed per month for a 4 Bedroom unit – the number of units: 63.
- \$ 649.00 per bed per month for a 5 Bedroom unit – the number of units: 3.

The initial annual amount of \$3,570,336.00 payable in 2 installments (each hereinafter referenced individually as an “Installment”) annually of \$1,785,168.00 payable in advance of August 1st with the 2nd installment due on February 1st (each an “Installment Term”). The Basic Rent for the Initial Term and for the Extended Term shall be increased annually by three percent (3%) beginning in year 2, which will be payable in the amounts set forth on the Rent Schedule in this subparagraph.

<u>INITIAL TERM</u>	<u>PERIOD: FROM - TO</u>	<u>ANNUAL RENT</u>	<u>BI-ANNUAL RENT</u>
YEAR 1	August 1, 2017 – July 31, 2018	\$3,570,336.00	\$1,785,168.00
YEAR 2	August 1, 2018 – July 31, 2019	\$3,677,446.08	\$1,838,723.04
YEAR 3	August 1, 2019 – July 31, 2020	\$3,787,769.46	\$1,893,884.73
<u>EXTENDED TERM</u>	<u>PERIOD: FROM-TO</u>	<u>ANNUAL RENT</u>	<u>BI-ANNUAL RENT</u>
YEAR 4	August 1, 2020 – July 31, 2021	\$3,901,402.55	\$1,950,701.27
YEAR 5	August 1, 2021 – July 31, 2022	\$4,018,444.62	\$2,009,222.31
YEAR 6	August 1, 2022 – July 31, 2023	\$4,138,997.96	\$2,069,498.98
YEAR 7	August 1, 2023 – July 31, 2024	\$4,263,167.90	\$2,131,583.95

3.2. All rental payments to be made by Tenant pursuant to this Lease shall be apportioned and prorated as of the Commencement Date and the Termination Date or as of the date of an earlier termination pursuant to this Lease, as the case may be.

3.3. Unless notified otherwise in writing, all payments of Basic Rent and monthly and/or overage Electricity Charges shall be mailed to Landlord at:

Park Place Columbia
Attn: Beejan Savabi
461 Park Avenue South, Floor 4
New York, NY 10016

ARTICLE 4 - USE

4.1. Student Housing Facilities. Each unit will include the furniture/housewares/appliances and which shall be in good condition and fully functioning as set forth in Exhibit "B" (attached hereto and incorporated herein by reference). Tenant shall have the right to use the Demised Premises for student housing purposes only provided that such uses comply with all laws, ordinances, orders or regulations of any lawful authority having jurisdiction over the Demised Premises.

4.2. If during the Initial Term or any Extended Term the application of any statute, code or ordinance of any government, authority, agency, official or officer applicable to the Building or the Demised Premises makes it impossible or not economically feasible for Tenant to operate in the Demised Premises in accordance with subparagraph 4.1, then Tenant, at its option, may terminate this Lease by providing Landlord with a written notice sixty (60) days in advance, whereupon the Basic Rent and all other charges payable hereunder by Tenant shall be apportioned as of such date of termination.

4.3 Other than as set forth in Section 6.5, Tenant shall have the non-exclusive right to use all common areas of the Building and Land during the Term of this Lease, including any Extended Term and/or during any Holdover.

4.4 As to its student occupants of the Demised Premises, Tenant shall enforce the Student Code of Conduct attached hereto as Exhibit E (the "Code of Conduct") and the Campus Housing Policies and Regulations attached hereto as Exhibit F (the "Housing Policies"). Tenant's enforcement of the Code of Conduct and the Housing Policies shall be at Tenant's sole cost and expense.

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ARTICLE 6 - SERVICES

6.1. The services provided by the Landlord to Tenant as part of Basic Rent shall include, but are not limited to, water and sewer, lighting for all common areas of the Building and Land, including security lighting, heating, ventilating, air conditioning, one (1) Tenant parking space, electricity for all common areas of the Building and Land, cable television and wireless internet service, elevator service, fire detection service, fire suppression, trash removal, pest control, grounds maintenance, general building maintenance, furniture and appliance maintenance (for furniture and appliances provided by Landlord), lock maintenance, key replacement, building equipment maintenance, electrical systems maintenance, HVAC maintenance, plumbing maintenance and any other service necessary to maintain and operate all Building and site improvements. Services provided by the Landlord shall include all service charges (including repairs and replacement costs), labor, materials and supplies.

6.2. Additional services to be provided by Landlord to Tenant as part of Basic Rent shall include Furniture/Housewares/Appliance Inventory (Exhibit “B”) and window treatments for each unit.

6.3. Electricity usage will be metered by individual units. Landlord will charge Tenant \$50.00 per bed/month for electricity usage (“Electricity Charges”). In the event the electricity service used by the Tenant exceeds the \$50.00 per bed/month rate, the Landlord will provide a supplemental invoice along with copies of the electrical company’s invoices supporting the additional amount due. Tenant will reimburse Landlord for the six month aggregate overage of Electricity Charges at the end of the each Installment Term, but no more than \$75 per bed/month will be reimbursed for each Installment Term. Upon completion of review of the invoices, the Tenant will pay the additional supplemental amount within thirty days. Electrical provisions must allow each resident separate use of a computer, printer, stereo, and television to be running simultaneously while kitchen appliances are also in use.

6.4 Landlord will provide on-site security (“Building Security”) for the Demised Premises and all common areas. Tenant will pay an additional annual cost of \$48,000.00 per year to Landlord for the Building Security, which will be paid bi-annually with the Basic Rent. Landlord shall have no liability for the actions or inactions of the entities or individuals providing Building Security.

6.5 Optional Student Services. Landlord may choose to provide optional student services, such as parking and access to Club House facilities (pool, fitness center, and/or other recreational facilities). These services are outside the terms of this Lease and shall be subject to the rules and regulations established by Landlord. Tenant will assist Landlord in providing such notifications that will educate and inform residents regarding the availability of these services.

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ARTICLE 9 - MAINTENANCE AND REPAIR

9.1. Maintenance and Repair. Subject to Tenant’s obligations set forth in Article 8 above, Landlord shall be responsible for maintaining and repairing the Demised Premises and any systems on the Demised Premises as well as the common areas of the Building and Land in a clean and good condition and state of repair, including without limitation, maintaining and repairing walls and partitions, ceiling materials, ducting, windows and doors, window and door frames, and electrical, lighting, plumbing, sprinkler, alarm, security, cable or internet, telephone, satellite dish and other communications systems; sweeping and cleaning of parking, storage and trash collection areas so as to keep the same reasonably free and clear of foreign objects, papers, debris, obstructions, and standing water; and maintaining exterior landscaping, grounds and parking lot maintenance in a neat, safe and healthy condition; repairing of structural defects or damage to the exterior of buildings, roofing, siding, windows, floors, floor coverings, interior walls, and fixtures; and general routine maintenance and repair of the building systems specifically related to the respective units, including water and sewer, plumbing, lighting, heating, ventilating, air conditioning, electrical, janitorial service, security service, and fire detection service. Incident thereto, special attention shall be given to preventive maintenance. Maintenance and Repair includes maintenance for

normal wear and tear. Reasonable repairs beyond normal wear and tear that are caused by Tenant, Tenant's subtenants or Tenant's guests shall be done at the cost of Tenant and will be billed to the Tenant along with copies of any invoices and documentation regarding the costs of such repairs. Landlord is responsible for maintaining a current background check on file for all maintenance employees and make available for Tenant's review upon request. Landlord shall require that all service vendors and outside repairmen who have access to the building must be escorted by a Tenant approved employee.

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ARTICLE 14 - TENANT CANCELLATION PRIVILEGE

14.1. Non-Appropriation Clause. Notwithstanding the Commencement Date and Termination Date of this Lease, pursuant to South Carolina Code Section 1-11-56, Tenant shall have the right to cancel this Lease as of June 30 of any lease year upon giving Landlord at least ten (10) months written notice of its cancellation upon the occurrence of one or more of the following events:

(a) a "non-appropriation" for Tenant (which shall be deemed to have occurred upon a determination, at the request of Tenant, by the South Carolina Department of Administration, Division of General Services, that a material reduction in Tenant's annual appropriation by the State has materially limited or impaired Tenant's ability to continue this Lease); or

(b) if Tenant is dissolved and no longer performs the functions and purposes ascribed to it; or

(c) if at any time during the Term the Demised Premises is determined, at the request of Tenant, by the South Carolina Department of Administration, Division of General Services, materially inadequate, insufficient or unnecessary for the normal operations and maximum efficiency of Tenant, requiring the termination of the Lease.

14.2. Other State Space. Tenant shall have the right to cancel this Lease by giving at least ten (10) months written notice to Landlord if other suitable State owned space is available to Tenant in substitution for the Demised Premises. After this ten (10) month notice period, the Lease shall be deemed canceled; provided, however, Tenant shall continue to pay rent and all additional charges until the date of cancellation.

14.3. Breach by Landlord. If Landlord shall have breached any covenant, condition, representation or warranty made by Landlord in this Lease and such breach shall have continued uncured or uncorrected for a period of thirty (30) days after notice by Tenant to Landlord of such breach and request to cure or correct, or as otherwise stated herein, Tenant shall have the right, at its option, to (i) terminate this Lease with no further obligation of Tenant; or (ii) abate Basic Rent payable hereunder until such breach is cured or corrected to Tenant's satisfaction.

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ARTICLE 20 - MISCELLANEOUS

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20.11 In the event the Tenant exercises its right to terminate this Lease pursuant to Article 14.1 and provides notice as prescribed in Article 14.2 and vacates and releases the Demised Premises during the notice period, Landlord and Tenant will make best efforts to relet or, respectively, to assist the Landlord with reletting the Demised Premises, in whole or as large a portion thereof as possible, during any requisite termination notice period, and Landlord shall apply any rent and/or fees received by or on behalf of Landlord as an offset to Tenant's Basic Rent and/or other charges due during any termination notice period.

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