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Board of Trustees Minutes, January 30, 2002

Eastern Washington University

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**EASTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
SPECIAL MEETING
January 30, 2002
by telephone conference call
SHW 214**

Board Members Present:

Mr. Gordon Budke (by phone)
Mr. Neil McReynolds (by phone)
Dr. Mark Mays (by phone)
Ms. Kris Mikkelsen (by phone)
Mr. Mike Ormsby (by phone)
Ms. Cynthia Shiota (by phone)
Ms. Jenna Williams (in person)
Ms. Ines Zozaya-Geist (by phone)

Chair Mays called the Special Meeting of the Board of Trustees of Eastern Washington University to order at 2:35 p.m. and noted that a quorum was present.

President Jordan gave some background on the proposed public/private partnership, noting that due to the recent growth of the university we need additional housing. Last year the university examined the feasibility of constructing a new residence hall with about 280 beds. Simultaneously Eastern has been working with the City of Cheney on downtown redevelopment, to try to create more of a university district around the university to be successful as a residential campus. The city is seeking interested developers to come in and develop some of the properties. One developer was interested in the former Bonanza Ford property, and he was also interested in partnering with the university in student housing.

Under the authorization of the Board, the administration entered into that process and has been working with the developer on the specifics of the lease. Significant work has taken place since last week's regular Board meeting. Dr. Jordan thanked Laurie Connelly, Rick Romero and Debra Danner for their work on this lease agreement, as well as the other attorneys.

Chair Mays pointed out that this project has also been discussed in the Business & Finance and Coordinating committee meetings, and, as authorized by statutes, in Executive Session.

Mr. Romero thanked the trustees for their support, input and advice. He said this is a complex but unique project for the state system. The financial details, risk assessment and design issues have been reviewed by committees of the Board and discussed by the board at their meeting last week. The trustees pointed out four issues with the lease last Friday, and Mr. Romero reported that all four issues were negotiated or resolved as discussed in Executive Session. The first was regarding changes to the work that are requested by the tenant. The developer needs to set his financing once the budget is set, so would need funding for changes. We chose to accept the risk of financing any change ourselves (from our cash reserves or other means). Second was how to manage the risk of the project not completing in time. We need to be able to assign those students into campus housing, at the cost of the developer. That language has been included, including moving costs. (We would double up these students with singles temporarily.) Third was fixing the lease payment for the 20-year term. We got that concession in exchange for the fourth issue, which is naming the building. It will not be Dorothy Brewster "hall", but instead have agreed that the building will be named for Dorothy Brewster.

Other minor issues have included: 1) section 18.29, p. 30—no alcoholic beverages in the coffee shop. Alcohol in the adjoining property is okay, but not in the residence building. 2) the rest of the issues were clean up, fine tuning issues. Mr. Romero said that two pieces needed to be finalized: we're waiting for the developer's attorney to forward the final document. Attachments to the lease document, Attachment E, is the component that identifies all the design plans and specifications for the project. We have reached agreement in principle, but need to get together tomorrow morning and make sure we have complete agreement on those documents.

Mr. Romero said the administration is asking for Board approval to enter into the lease, contingent upon the finalization of the documents. President Jordan noted also that the developer must start building on the second piece within a year of the completion of the first building.

Key Issues in the Lease:

The agreement is a 20-year lease for the housing, bookstore, convenience store and parking. The payment is fixed 20 years, with no option to terminate for convenience, only for default. The Bookstore can be cancelled after 5 years for convenience. Parking is also included in the 20-year lease agreement. The developer can convert the parking space across the street if he can find comparable parking at a site within 475 feet of the existing property.

There are a couple of options on both sides to get out of the deals—the landlord can terminate prior to March 1 for any reason, e.g. site problems. If significant financing issues occurred, they would have to come back to EWU for the possibility of financing. On our part, section 2.2, the developer starts to incur consequences on September 15 if the building is not complete, but they have a couple of opportunities to cure any problems and occupy before we would actually terminate.

Dr. Mays noted that we are not assessing this project merely from the financial aspect, but also by considering other benefits. This will be less expensive than building our own residence hall. We will incur costs but they will be offset by the revitalization of downtown Cheney.

Trustee Budke commented that the speed in getting this building completed will be phenomenal in helping our growth issues.

Trustee McReynolds noted we should make that point whenever possible.

Trustee Ormsby said that since this was a public/private partnership, we needed to be aware that we have seen a lot of financial data, both reasonable case and worst case scenarios. We think the risks have been minimized as much as possible, but even at the worst case we're still trying to help downtown and provide an attraction for students to live in Cheney. This fits within our role and mission to build a residential campus. The quality and variety of housing give us new options for students. We have minimized the economic risks. Seven years ago we were on a disaster course in Housing and Dining. We came up with an aggressive plan, and achieved and exceeded those targets. We are willing to take this risk because there's more at stake than the money.

Trustee Shiota said we have done a good job in identifying the potential downsides, and have done thorough work so that if a downside occurs we have identified resources that we could use to mitigate the worst case scenario.

Trustee Mikkelsen asked if the premium that the students living in this complex would pay, as compared to those living in regular university housing, has changed in light of the negotiation of the fixed payment. Mr. Romero responded that no, the developer is amortizing the full project cost over the 20 years, but crediting us for our \$75,000 deposit over the first two months of rent payment. We get the net present value of the money, and the developer puts in the total price.

Trustee Budke questioned paragraph 2.2—how would we cause delays? Mr. Romero replied that section 2.1.2 on page 4 identifies some things that could be tenant delays, but because we have been involved in developing the design and specifications, we don't have much input once this gets going, other than furnishing. There is very small risk that we would cause a delay, and they have to notify us if they think something we're doing is causing a delay.

Trustee Williams noted that she met with some over-30 students today, and one 24 year old. Their parents don't want them to live in Cheney, but in a university residence, so they are very excited about this project.

Motion 01-01-02: “*I move that the Board of Trustees authorize Eastern Washington University to enter into this 20-year lease subject to the President approving the attachments.*”

Motion by Trustee Budke; seconded by Trustee Shiota. President Jordan asked for a roll call vote: Budke, yes; McReynolds, yes; Mays, yes; Mikkelsen, yes; Ormsby, yes; Shiota, yes; Williams, yes. (Trustee Zozaya-Geist had to disconnect from the conference call prior to the motion and vote.) Motion carried.

Stefanie Pettit will draft talking points for President Jordan and the trustees regarding this project.

The Board of Trustees acknowledged the hard work on the part of university on this project, and President Jordan expressed his thanks to the Board for thinking outside the box and supporting this.

Chair Mays adjourned the meeting at 3:15 p.m.

Mark Mays
Chair of the Board

Stephen M. Jordan
Secretary of the Board