BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD ACTION

ITASCA COMMUNITY COLLEGE HOUSING

BACKGROUND
The purpose of this report is to request the Board of Trustees approve actions for additional student housing at Itasca Community College (“ICC”); specifically the plan for the Itasca County Housing and Redevelopment Authority (“HRA”) to construct a new student residence hall on the ICC campus. The college is located entirely on University of Minnesota land leased to ICC until 2041. The total development costs are estimated at $3.1 million, which includes a $1 million grant from the Blandin Foundation. The authorization to undertake such development is contained in Minnesota Statutes, Chapter 136F.60, Subdivision 2 (c) which states, in part:

“The board may convey or lease real property under the board's control, with or without monetary consideration, to provide a facility for the primary benefit of a state college or university or its students if the board certifies that project revenues, other gifts or grants, or other sources of funds are available for project costs and that no tuition revenues or state or federal appropriations are used for the capital cost of the facility. Agreements under this paragraph must demonstrate to the board’s satisfaction the financial viability of the proposed project, including all proposed financial and contractual obligations, and operating costs, including all program costs, salaries and benefits, and other costs reasonably expected to be incurred or binding upon the college or university. Siting and design of the facility must be consistent with the campus master plan and Minnesota state colleges and universities building standards. Agreements under this paragraph to convey or to lease for a term not to exceed 30 years, subject to section 16A.695, may be made following requests for proposal or by direct negotiation.”

On October 29, 2002 ICC opened its new engineering center, Wenger Hall. The building’s first two floors house classrooms and laboratory space. In addition, there are 36 beds of residential housing on the third floor, separately funded by the Blandin Foundation. ICC engineering enrollments have continued to grow. Fall 2004 enrollment is 130 students. Campus housing is at 100% capacity, with 16 additional students housed in a local hotel and 10 other students in housing in the local community. ICC has recently received a five year, $500,000 grant from the National Science Foundation to increase engineering enrollment from 130 to 300 students between 2004 and 2009.

Maxfield Research, Inc., an independent housing consultant, was engaged by the college to assess the potential need for additional student housing on the campus, and specifically housing that would be reserved for engineering students. Their report demonstrated the lack of available housing in the immediate area for college students attending ICC. However, the report noted
that under the projected plan it would take a few years for the engineering program to fully utilize the proposed new 75 bed facility and recommended that non-engineering students fill any unused space during the transition period.

The proposed new student housing building will be located in the southwest corner of the parking lot immediately across the college entrance road from Wenger Hall. The structure will have an east/west orientation, with units that combine single, double, and triple occupancy bedrooms. The typical unit has six people sharing one kitchenette and two baths. The structure will have three levels; with each floor having 4-6 units. A site plan and representative floor layout are shown as exhibits to the Resolution. The estimated construction cost is approximately $2.5 million.

The land for the residence hall will either be leased directly from the University of Minnesota or sub-leased from ICC to the HRA for twenty years. Construction will be managed by ICC based on a development agreement with the HRA. ICC will operate the facility for the HRA subject to the terms of an operating agreement. After the debt for the construction of the residence hall is retired, or the lease/sub-lease expires, the land will continue as part of ICC’s lease from the University of Minnesota and the HRA will transfer all rights and ownership of the building to ICC.

The project will be financed by $2.565 million in tax-exempt bond proceeds from the HRA and a $1 million grant from the Blandin Foundation of Grand Rapids, Minnesota. The bonds will be payable solely from revenue generated by the facility and per Minnesota Statues Section 136F.60, no state funds or tuition will be used. A finance plan is found as an exhibit to the Resolution.

In accordance with a proposed development agreement with the HRA (still in progress) ICC plans to bid the construction contract in November, subject to Board of Trustees and Itasca County Board of Commissioner approval to proceed. Design and construction will conform to Minnesota State and Minnesota State Colleges and Universities standards. Construction is planned to begin in December 2004 and be completed by August 2005. Final budget projections are subject to further discussion regarding project financing, reserve requirements, operating and development agreements between the college and the HRA, and other related items.

Per Board policy, students at ICC have been consulted and heartily endorse this project.

OUTSTANDING ISSUES

Several required documents are still under review as follows:

- The Lease/Sublease from the University of Minnesota/ICC to the HRA. This document will contain the legal description of the property and a statement as to the disposition of the building at the end of the lease.

- The Development Agreement between the HRA and ICC to manage design and construction of the facility.
• The Operating Agreement between the HRA and ICC. This agreement will also include
the option for other compatible uses of the facility should it not produce sufficient
revenue to cover costs; an option for ICC to buy out the HRA; and disposition of the
building after the debt is extinguished.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance Committee recommends that Board of Trustees adopt the following
motion:

RECOMMENDED MOTION:

The Board of Trustees approve the Authorizing Resolution contained in Attachment A.