

STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION

December 8, 2021

TOPIC: Approval for Lamar Community College to Enter Into a Ten Year Lease Purchase Agreement with The Lamar Community College Foundation for the Purpose of Providing Additional Student Housing

PRESENTED BY: Linda Lujan, Ph.D, President
Chad DeBono, Vice President for Business Services and Institutional Advancement

RELATIONSHIP TO STRATEGIC PLAN:

- Goal 3 - Create education without barriers through transformational partnerships.
- Goal 4 - Refine our value proposition through accessibility, affordability, quality, accountability, resource development, and operational excellence.

EXPLANATION: Lack of student housing is a challenge for Lamar Community College. In recent years, as existing athletic programs have grown, lack of student housing has caused the College to house overflow residential students in local motels.

With the population decline in Southeast Colorado and the increasing reliance on out-of-town students, LCC's need for student housing has continued to grow. When LCC adds men's and women's soccer in fall 2022 and eSports as early as fall 2022, it will need additional beds. The College would also like to add cross country and wrestling. The lack of housing is the only barrier.

After exploring multiple options, including constructing new dorm pods, adding beds to current dorm rooms, entering into a public-private partnership to build a new dorm, obtaining USDA grant funds, and/or seeking Opportunity Zone funders, LCC and the Lamar Community College Foundation identified the option presented in this request.

The Lamar Community College Foundation has purchased the Main Street View Motel with an intention of offering it on a lease/purchase basis to the College. The property comes fully furnished and could be placed in use by August 2022 after some life-safety improvements. If approved by the SBCCOE to enter into a lease/purchase agreement the College would lease the property for student housing, assume management of the property, insure it through State Risk Management, pay all utilities and maintenance costs, set aside contingency funding, and provide custodial support (see Exhibit A for ROI). This property would provide 80 additional beds; 78 for students and two for assistant coaches.

The proposed lease/purchase would be for \$500,000, plus interest, for a period of ten years, and with the approval of the SBCCOE at that time, ownership would transfer to LCC at the end of the ten year term. Alternatively LCC will have an option to renew in year eleven for a nominal annual amount. Financial Data and Amortization Schedule is shown in Exhibit A.

RECOMMENDATION:

Staff recommends that the Board approve the College lease purchase agreement with the LCC Foundation for the Main Street Motel as outlined herein and delegate signature authority on documents related to the Lease of the property to the System Vice Chancellor for Finance and Administration on the condition that all State and Board required processes are met.

EXHIBIT A

Financial Data

To be conservative, LCC estimates in year 1 it will have 75% occupancy and 85% occupancy in years 2-5 and 90% occupancy in years 6-10. The revenue projections are provided in the financial data below.

Main Street View

Full Occupancy

37 Double Rooms

3 Suites

			(Year 1)	(Years 2-5)	(Years 6-10)
	#	Room			
Revenues:	Occupants	Rate/Sem	75% Occup	85% Occup	90% Occup
Room & Board	74	\$ 1,430	\$ 158,730	\$ 179,894	\$ 211,640
	6	\$ 1,830	\$ 16,470	\$ 18,666	\$ 21,960
Total Revenues			\$ 175,200	\$ 198,560	\$ 233,600
Annual Operating Expenses:					
RA Room Scholarship			\$ 5,720	\$ 5,720	\$ 5,720
% of RH Director Operating			\$ 2,000	\$ 2,000	\$ 2,000
Custodial			\$ 5,000	\$ 5,000	\$ 5,000
Annual Repairs Contingency			\$ 10,000	\$ 10,000	\$ 10,000
Utilities:					
Electric, Water, Trash, Sewer			\$ 42,000	\$ 42,000	\$ 42,000
Gas			\$ 5,000	\$ 5,000	\$ 5,000
Insurance			\$ 7,500	\$ 7,500	\$ 7,500
Pest Control			\$ 5,200	\$ 5,200	\$ 5,200
Inspections			\$ 500	\$ 500	\$ 500
Fire Safety Inspection			\$ 500	\$ 500	\$ 500
Additional Contingency			\$ 20,000	\$ 20,000	\$ 20,000
Total Annual Operating Expenses			\$ 103,420	\$ 103,420	\$ 103,420
Amount Available for Debt Service on Main Street View			\$ 71,780	\$ 95,140	\$ 130,180

Lamar Community College Foundation has agreed to only charge the College in lease payments up to the amount of their costs. Currently, the initial note of \$500,000 has bi-annual installments of \$29,642.24, which is \$59,284.46 annually. The College has built in a \$20,000 operating contingency of unknowns into its budget for unanticipated expenses. With these

conservative projections, the College will be able to meet the minimum expected payment bi-annually.

The College is stable in auxiliary reserves ending June 30, 2021 with \$2,115,283. Over the last 10 years the annual average increase has been approximately \$100,000 per year. Of the entire balance of funds in auxiliaries there are approximately \$1,150,000 in funds that the College could choose to borrow from in the event of need but with the projections made, the College is confident the payments are reasonable.

Below is the amortization schedule provided by GN Bank to the LCC Foundation:

GN Bank Amortization Schedule				
Loan Amount: \$500,000.00				
Interest Rate: 3.36%				
Payment: Semi-annual				
Term: 10 Years				
Payment: \$29,642.23				
Pmt No	Balance	Principal	Interest	Ending Balance
1	\$ 500,000.00	\$ 21,242.23	\$ 8,400.00	\$ 478,757.77
2	\$ 478,757.77	\$ 21,599.10	\$ 8,043.13	\$ 457,158.67
3	\$ 457,158.67	\$ 21,961.97	\$ 7,680.26	\$ 435,196.70
4	\$ 435,196.70	\$ 22,330.93	\$ 7,311.30	\$ 412,865.77
5	\$ 412,865.77	\$ 22,706.09	\$ 6,936.14	\$ 390,159.68
6	\$ 390,159.68	\$ 23,087.55	\$ 6,554.68	\$ 367,072.13
7	\$ 367,072.13	\$ 23,475.42	\$ 6,166.81	\$ 343,596.71
8	\$ 343,596.71	\$ 23,869.81	\$ 5,772.42	\$ 319,726.90
9	\$ 319,726.90	\$ 24,270.82	\$ 5,371.41	\$ 295,456.08
10	\$ 295,456.08	\$ 24,678.57	\$ 4,963.66	\$ 270,777.51
11	\$ 270,777.51	\$ 25,093.17	\$ 4,549.06	\$ 245,684.34
12	\$ 245,684.34	\$ 25,514.74	\$ 4,127.49	\$ 220,169.60
13	\$ 220,169.60	\$ 25,943.38	\$ 3,698.85	\$ 194,226.22
14	\$ 194,226.22	\$ 26,379.23	\$ 3,263.00	\$ 167,846.99
15	\$ 167,846.99	\$ 26,822.40	\$ 2,819.83	\$ 141,024.59
16	\$ 141,024.59	\$ 27,273.02	\$ 2,369.21	\$ 113,751.57
17	\$ 113,751.57	\$ 27,731.21	\$ 1,911.02	\$ 86,020.36
18	\$ 86,020.36	\$ 28,197.09	\$ 1,445.14	\$ 57,823.27
19	\$ 57,823.27	\$ 28,670.80	\$ 971.43	\$ 29,152.47
20	\$ 29,152.47	\$ 28,662.71	\$ 489.76	\$ -