

**BOARD OF HIGHER EDUCATION**  
**REQUEST FOR COMMITTEE AND BOARD ACTION**

**COMMITTEE:** Fiscal Affairs and Administrative Policy      **NO.:** FAAP 08-28

**COMMITTEE DATE:** June 13, 2008

**BOARD DATE:** June 25, 2008

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**APPROVAL OF LETTER AGREEMENT**

**MOVED:**            The Board of Higher Education hereby accepts the attached letter agreement between Framingham State College, the Massachusetts State College Building Authority and the Massachusetts Division of Capital Asset Management.

Authority:            Massachusetts General Laws Chapter 15A, Section 9

Contact:            Dr. Clantha McCurdy, Vice Chancellor for Student Financial Assistance

## **BACKGROUND INFORMATION**

### **Crocker Hall**

For several years, Framingham State College and the Division of Capital Asset Management have been developing a plan to renovate Crocker Hall for academic purposes. The current construction cost estimate exceeds the available funds. The College and DCAM believe that a substantial renovation of this older, wood-frame structure will not yield the best long-term, cost-effective solution for the college's programs.

### **Planning Goals**

The Authority's 2006 Strategic Plan Update calls for additional residential capacity (100+ beds) at Framingham; a solicitation for architect/construction management firms has been issued for this purpose. The College's Campus Master Plan calls for the expansion of space for student and academic programs at the center of the campus, with residential development at the periphery. A key central campus site is presently occupied by O'Connor Hall, an MSCBA residence hall that was constructed in 1961 (renovated in 2006) and contains 252 beds in a traditional configuration. The campus master plan envisions a new residence hall at the main entrance to the campus, on a site that is presently occupied with surface parking.

### **Proposal**

Given the need for additional residential capacity at Framingham, and the difficulty of renovating Crocker Hall to achieve the College's other required programs, it has been proposed to adapt O'Connor Hall for the College's needs and to build a new residence hall to accommodate the new housing capacity plus the residents displaced from O'Connor. This would create the opportunity of designing and constructing a new, cost-effective residence hall of approximately 350 – 400 beds in an appropriate configuration on a prominent site presently occupied with surface parking. O'Connor Hall would then be leased to the College, which would permit the concentration of programs at a site that is at the geometric center of the campus.

### **Financial Plan**

O'Connor Hall's proportionate share of Framingham's residence hall debt service obligations is approximately \$7m, with maximum annual debt service of about \$680,000. Under the repositioning proposal, a payment of \$7m would be provided by the College to support the construction of a new residence hall to meet the new capacity requirements as well as the relocated students who presently reside in O'Connor. Further, the College will continue to pay the annual debt service for the outstanding repair bonds which would have been paid by the O'Connor rents. In addition, the College will provide a payment of \$2.1m to the Authority to perform improvements in O'Connor prior to the change in use.

- New Residence Hall Total Project Cost: \$47 million for 390-bed residence hall (\$120k/bed)
- College contribution of \$7 million reduces borrowing to \$40 million
- College incurs expense of property acquisition and parking reclamation
- New Residence Hall Annual Proforma:

- Projected academic year rent revenue of approximately \$3.3 million in year one, escalating 3% annually
- Ancillary revenue of approximately \$800,000 in year one from expanded McAuliffe Center activities, summer and conference use, and program fees
- Annual cost of operations, insurance and contributions to dedicated capital reserve approximately \$1.1 million, escalating 3% annually
- Annual debt service estimated at \$2.9 million (assuming 5% interest rate for a 30-year maturity)
- Estimated ending balance after year one: \$100,000
- Deposits to dedicated capital reserve and maintenance of an operating reserve in accordance with MSCBA Trust Agreement and policy

FRAMINGHAM STATE COLLEGE  
100 State Street  
Framingham, MA 01701

June 20, 2008

David B. Perini, Commissioner  
Division of Capital Asset Management and Maintenance  
One Ashburton Place, 15th Floor  
Boston, Massachusetts 02108-1511

Edward H. Adelman, Executive Director  
Massachusetts State College Building Authority  
136 Lincoln Street  
Boston, Massachusetts 02111

Dear Mr. Perini and Mr. Adelman:

The purpose of this letter is to memorialize our agreements with respect to responsibility and funding for certain construction and renovation projects to be undertaken at Framingham State College.

Framingham State College and the Massachusetts State College Building Authority have been working together to identify a site or sites for the development of additional on-campus housing at the College. In addition, the College and the Division of Capital Asset Management and Maintenance have been evaluating possible locations and cost-effective solutions for relocating the programs that presently take place in Crocker Hall, an older campus facility. It appears to be beneficial to the parties to renovate O'Connor Hall, presently a residence hall, for these purposes, and to apply funding from the Commonwealth to replicate this existing residential housing capacity in a new residence hall to be constructed by the MSCBA. The terms which the College, the MSCBA and DCAM have agreed to in order to accomplish these projects are as follows:

DCAM Funds. DCAM has agreed to transfer to the College \$9,400,000 in funds of the Commonwealth on or before June 30, 2008 for use by the College as set forth below.

- \$7,000,000 of the funds will be transferred to the College and paid to the MSCBA towards the cost of design and construction of the new residence hall.
- \$2,100,000 of the funds will be transferred to the College and paid to the MSCBA towards renovation of O'Connor Hall including installation of an elevator, modification of restroom facilities, and other improvements approved by the College.
- \$300,000 of the funds will be transferred to the College for furnishings and equipment for O'Connor Hall in connection with the renovation.

The \$7,000,000 and \$2,100,000 in funds to be paid to the MSCBA will be held in escrow until January 31, 2010, at which time the MSCBA will either return the funds to the College (in the

event of termination as provided below), or proceed with the renovation and construction work in accordance with the schedule agreed to with the College. All escrowed funds will be placed in an interest-bearing escrow account, and will not be commingled with other funds of the MSCBA. All interest on these funds will be paid to the recipient of the funds. In the event the MSCBA returns any funds to the College following termination, the College will determine an alternative use for the funds in consultation with DCAM and the MSCBA.

Preliminary Schedule. The tentative schedule for the funding, renovation and construction work is as follows:

| <b>Timing</b>                        | <b>Event</b>   |
|--------------------------------------|--|
| On or before June 30, 2008:          | DCAM transfers \$9,400,000 to College  |
| On or before January 31, 2010        | MSCBA and College determine whether to proceed with O'Connor Hall renovation and new residence hall construction or to terminate as provided below |
| Through Spring 2011 Academic Term    | O'Connor Hall used as a residence hall   |
| Beginning of Fall 2011 Academic Term | O'Connor Hall renovation and new residence hall ready for use and occupancy  |

MSCBA and College Agreements and DCAM Consideration. Upon receipt of the DCAM funds, the College and MSCBA will enter into agreements regarding the scope of work to be performed, the timing of payments, and the operation of O'Connor Hall and the new residence hall once completed. Such agreements will provide, among other things, for the College as agent of the Commonwealth to use O'Connor Hall for college purposes until the earlier of (i) the date which is 60 days after the date on which the MSCBA financing currently outstanding for O'Connor Hall has been paid in full or (ii) until the beginning of the Fall 2031 academic term (the "Bond Payment Period"). DCAM acknowledges that the College's right to use O'Connor as described above represents good and valuable consideration for DCAM's provision of funds as set forth in this letter. DCAM, the College and the MSCBA further acknowledge that title to O'Connor Hall shall revert to the Commonwealth in accordance with the enabling legislation of the MSCBA, under the care and control of the College.

Termination of Projects. Each of MSCBA and the College may terminate and abandon the proposed renovation and construction projects for any reason including the inability to obtain bond financing or required project approvals. In the event either MSCBA or the College elects to terminate, it must notify all parties at the addresses by their signatures to this letter by pdf, certified mail or overnight courier sent on or before January 31, 2010. In the event the projects are terminated, MSCBA will return any funds held by it to the College, and the College will determine an alternative use for the funds in consultation with DCAM and the MSCBA.

DHE Consent. By its signature below, the Department of Higher Education consents to the terms of this letter.

Please countersign this letter to indicate that it accurately reflects your understanding of the proposed transactions.

Very truly yours,

FRAMINGHAM STATE COLLEGE

Address for notice:

By: \_\_\_\_\_  
Timothy J. Flanagan, President

\_\_\_\_\_  
\_\_\_\_\_

Email: \_\_\_\_\_

Countersigned by:

COMMONWEALTH OF MASSACHUSETTS  
By: Its Division of Capital Asset Management  
and Maintenance

Address for notice:

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\_\_\_\_\_

By: \_\_\_\_\_  
David B. Perini, Commissioner

Email: \_\_\_\_\_

MASSACHUSETTS STATE COLLEGE  
BUILDING AUTHORITY

Address for notice:

\_\_\_\_\_  
\_\_\_\_\_

By: \_\_\_\_\_  
Edward H. Adelman, Executive Director

Email: \_\_\_\_\_

Consented to by:

BOARD OF HIGHER EDUCATION

Address for notice:

By: \_\_\_\_\_  
Patricia F. Plummer, Commissioner

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\_\_\_\_\_

Email: \_\_\_\_\_