

**BOARD OF TRUSTEES
EASTERN IOWA COMMUNITY COLLEGE DISTRICT
June 1, 2016**

The Board of Trustees of the Eastern Iowa Community College District (Merged Area IX) met in Special Session on June 1, 2016, in the Ellis Vetter Room at 306 West River Drive, Davenport, Iowa. President Robert Gallagher called the meeting to order at 6:00 p.m. with the following directors present: Kendra Beck, Kim Clausen, Dr. Joseph D'Souza, Denise Hollonbeck (via telephone), Bill Phelan, Milton Shaw, Bill Vetter. Absent: Michelle Garvin.

The purpose of the meeting was to present information to the Board on the due diligence process they requested prior to a final decision on the purchase of the First Federal and First Midwest Bank Buildings for the SCC Urban Campus project. Also in attendance were Richard Davidson from Lane & Waterman, Terry Kilburg of Kilburg Consulting, Sam Estep of Saratoga Capital, EICC Chief Financial Officer Suteesh Tandon, and SCC President Dr. Teresa Paper.

Chancellor Don Doucette provided the Board with a summary of the SCC Urban Campus project and its current status. He noted that in December 2015, the Board of Trustees had approved a Purchase Sales Agreement with North Block LLC to purchase the First Midwest and First Federal Bank Buildings, pending due diligence. He introduced the consultants hired by the Board to conduct the due diligence process and asked them to provide their reports.

Richard Davidson, attorney with Lane & Waterman, reported on the legal due diligence. The title to the property is clear, and Mr. Davidson had no concerns. L&W is preparing an easement agreement for the alley, which North Block LLC has previously stated they will grant. Assuming the Board approves the purchase at its next meeting, the purchase should be ready for a June 30, 2016, closing date.

Sam Estep, principal of Saratoga Capital, was hired to coordinate the due diligence efforts related to architectural design, construction estimates and financing. He noted that the environmental inspections have been completed and indicate about \$100,000 of necessary remediation. The ALTA survey indicates the property is fit for the intended use. Structural integrity of the site is good. The architect review indicates the buildings do support the intended programming, and the detailed drawings that have been done have resulted in more accurate construction estimates, which have come in under budget.

Financing for the project is moving forward at a slower pace than anticipated, but all indications are positive. The First Federal building will qualify for state historic tax credits, as it has been named a local landmark by the City of Davenport. The State of Iowa is in the process of changing the agency responsible for awarding credits, which

will delay the award notification. The State Historic Preservation Office has pledged preliminary approval for the project by June 30, with formal approval to follow but possibly not until January 2017. An application for federal historical significance for the building has been filed, and approval is expected in August. New Market Tax Credits are being sought, with several interested investors. The award of these is an issue of timing, primarily whether the project will be best served by securing remnant credits from the current allocation or by an application for the next round of allocations. Mr. Estep noted that all types of bank financing have been investigated and that the project has three banks currently that have developed commitments and want to compete for the business. Chancellor Doucette also noted that \$3.5 million has been pledged to the capital campaign to date, and that he is confident the campaign will reach its goal of \$5 million.

Mr. Davidson then reviewed the legal structure of the project plan and commented that while it is complex, all public-private development projects are structured in a similar manner, including the one that the City of Davenport used to renovate the Adler Theater recently. The structure allows the project to collect tax credits intended for these purposes. The buildings will be owned and controlled by the EICCD Downtown Campus Foundation through its subsidiary C corp, Downtown Campus, Inc. Downtown Campus, Inc. will enter into an LLC with the developer it chooses, and this New College LLC will build and operate the campus, with EICCD leasing the campus from New College LLC. Once the tax credits are used and the project is operated for five years, the structure may be “unwound” and the buildings may revert to the college.

Mr. Kilburg noted that he had been asked to review all of the financial information for the project and provide opinions about feasibility. He noted this is a very good project overall and presented several scenarios and their risks. He suggested that the granting of a TIF district by the City of Davenport would be very important to the project success. He also noted that he conducted the same analysis for Phase II of the project involving the Kahl Building and that, in total, it will enhance the project as it increases projected revenue to the foundation.

Chancellor Doucette and the consultants responded to Board members questions. The immediate risk to EICCD is the purchase price of the buildings, for which the college has the funds on hand. If the project does not move forward, the buildings could be sold, likely at a value similar to the purchase price. The debt will belong to Downtown Campus, Inc.; the lease will be EICCD’s obligation. Risk could be reduced by waiting to close on project financing until clarity has been reached on the New Market Tax Credits and both federal and state historic tax credits.

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Chancellor Doucette noted that, based on the due diligence findings, he likely will recommend to the Board at their June 20 Regular meeting the decision to purchase the bank buildings. He asked if the Board would like to schedule an additional meeting to discuss this purchase further prior to the June 20 meeting, and the Board agreed to keep June 13, 2016, at 6 p.m. on their calendars in case they decide they would like more discussion.

President Gallagher adjourned the meeting at 8:30 p.m.

Honey H. Bedell, Board Secretary

Approved:

Board President