

MINUTES  
COMMITTEE ON FINANCE AND FACILITIES  
DECEMBER 1, 2016  
9:30 A.M.  
MAIN CONFERENCE ROOM  
SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION  
1122 LADY STREET, SUITE 300  
COLUMBIA, SC 29201

Committee Members Present

Commissioner Dianne Kuhl, Chair  
Commissioner Ken Kirkland  
Commissioner Paul Batson  
Commissioner Louis Lynn  
Commissioner Kim Phillips

Mr. Michael Hughes  
Mr. Rick Kelly  
Ms. Kirsten Kennedy  
Mr. Parker Leak  
Ms. Jennifer LoPresti  
Mr. Gene Luna  
Ms. Carol Routh  
Ms. Helen Zeigler

Guests Present

Chairman Tim Hofferth  
Lt. Col. Jay Beam  
Ms. Beth Bell  
Ms. Kelly Epting  
Mr. Buddy Harrison  
Mr. Harold Hawley (phone)  
Mr. Craig Hess  
Mr. Cameron Howell

Staff Present

Mr. Gary Glenn  
Ms. Camille Brown  
Ms. Carrie Eberly  
Ms. Yolanda Myers  
Mr. Morgan O'Donnell

For the record, notification of the meeting was made to the public as required by the Freedom of Information Act.

**I. Call to Order**

Commissioner Kuhl called the meeting to order at 9:42 a.m. Ms. Myers introduced guests in attendance.

**II. Approval of Minutes of Meeting on February 23, 2016**

Commissioner Kuhl stated that these minutes were needed to properly record action taken by the Committee on February 23rd to advance Coastal Carolina's Brooks Stadium project directly to the full Board. Mr. Glenn acknowledged that the minutes had been inadvertently omitted from the approval process.

A motion was made (Phillips), seconded (Kirkland) and carried to approve the minutes of the February 23, 2016 meeting.

**III. Approval of Minutes of Meeting on October 24, 2016**

Mr. Glenn stated that the October 24th minutes were deferred from the November meeting since there was only one week between the October and November meetings. Commissioner Lynn asked if there was a need to explain why the October 6<sup>th</sup> meeting date was changed to October 24<sup>th</sup> due to the hurricane. Mr. Glenn stated that there was no need to officially record why that meeting date was changed.

A motion was made (Kirkland), seconded (Phillips) and carried to approve the minutes of the October 24, 2016 meeting.

#### **IV. Approval of Minutes of Meeting on November 3, 2016**

A motion was made (Lynn), seconded (Kirkland) and carried to approve the minutes of the November 3, 2016 meeting.

#### **V. Interim Capital Projects**

The following projects were presented and discussed:

##### **A. The Citadel**

###### **1. Boat Center Redevelopment – Increase Budget and Establish Construction Budget**

Commissioner Kuhl stated that staff did quite a bit of work behind the scenes for these projects before they were on the agenda and that staff was going to give a stronger briefing than just a synopsis on these projects. Mr. Glenn stated that The Citadel was bringing Phase II of the Boat Center Redevelopment project that was originally considered by CHE in June 2016 for Phase I approval. This project was to establish the construction budget and added \$2M to the original estimate, bringing the total budget to \$5M. Following Phase I, the College showed the design work to the benefactor. Upon review, the benefactor requested additional improvements and agreed to cover all costs associated with the additional improvements. The College revised their plans to meet the specifications requested. The project itself did not change in terms of the components of the project and was just an enhancement of what the College had originally intended to do.

Commissioner Lynn asked if the old boat center would be demolished. Mr. Glenn stated that this project would include the demolition. The project also included the dredging of the channel.

Commissioner Kirkland questioned if there were any additional annual expenses that will be needed to maintain the new facility. Lt. Col. Jay Beam stated that the current plan is that the College will repurpose the building to an auxiliary that will be self-sustaining. Commissioner Lynn asked if the donor's name would be affixed to the building. Lt. Col. Beam stated that the donor's name would go on the building and that the donor's also gave approximately \$7M for the new School of Nursing. Mr. Glenn officially welcomed Lt. Col. Beam as the new Associate Vice President for Facilities.

Commissioner Kuhl expressed concerns that the existing building was in decline and asked what the plan was for keeping the new facility in top condition so the College doesn't have to turn around and build another facility in the future. Lt. Col. Beam stated that the initial building was built in 1922 and was one of the oldest buildings on campus adding that the building had not had any major renovations or upgrades since the 1970s. He affirmed that the plan to maintain the new building included allocating a portion of the funds received to the building maintenance fund. The College has also explored an asset management concept where facility condition inspections will be conducted on a periodic basis so the College can assess the maintenance needs of all buildings. Commissioner Kuhl asked if the facility would be open to the entire corps of cadets. Lt. Col. Beam responded affirmatively and mentioned that the fifty students listed in the supporting documentation would be the students who would be taking sailing as a club sport or part of a physical education class. Other groups on campus would be able to use this facility. The benefactor had also stipulated that the facility should be a cadet-use facility first and a revenue generating facility second.

Commissioner Lynn asked if this project would contribute to any of the NCAA competitive sports. Lt. Col. Beam stated that it wouldn't at this time, but that could be considered once there was a revitalization of the sailing program. He also mentioned that alumni who used to row crew have talked about making donations for boats.

With no further questions, it was moved (Lynn), seconded (Batson), and voted to approve the Boat Center Redevelopment project as proposed.

## **B. Horry-Georgetown Technical College**

### **1. Acquisition of Construction Trades Building - Conway – Final Building and Land Acquisition**

Mr. Glenn stated that Horry-Georgetown Technical College was bringing the project for the acquisition of the construction trades building, located about a mile from their main campus in Conway. This request added \$330,200 to the \$10,000 that was used to assess the property and building and to do the appraisal, making the total cost of the project \$340,200. He confirmed that the county and the school district have endorsed the acquisition as this property will come off the tax rolls. Mr. Glenn added that the College had negotiated a sales price of \$350,000 on a piece of property that was appraised at \$360,000. In addition, the seller had agreed to apply the cumulative lease payments of \$19,800 to the selling price for a net outlay of \$330,200. It was also noted that the lease would no longer be in place after the procurement of this property and that would save the College an additional \$39,600 a year in lease costs. The savings would be used to offset the additional operating costs. The schematics and use of the building were consistent with what was proposed in Phase I which was to support the plumbing, electrical, and construction trades programs.

Commissioner Kuhl stated that she was happy that the College had worked with the owner of the property who had agreed to credit previous lease payments toward the purchase of the building. Commissioner Batson commented that this project is indicative of the technical college purpose and that this was not much money for a building in Conway. He also shared that after the great recession in 2008-09, there were so many tradesmen that were lost that the builders were having a terrible time finding plumbers, electricians, and people in the carpentry and construction trades fields. Commissioner Batson asked Mr. Harold Hawley to speak to the purpose of the building and also to why the College wants to buy this building versus continuing to lease it. Mr. Hawley stated that the local industries expressed the need to have more skilled laborers to keep up with ongoing demand. Mr. Hawley added that the building was owned by a local bank, the bank had no desire to be in the real estate business, and that the bank would sell the property to someone else if the College did not buy it. Commissioner Batson stated that these programs will take the least amount of time to get these people hands-on training and in to jobs.

Commissioner Lynn asked if these programs had any means of articulation arrangements. Mr. Hawley stated that there is an articulation agreement with Clemson that would allow transfers of credits. Commissioner Kirkland stated that the financial side of this project indicated that owning versus leasing is the way to go. Commissioner Phillips added that there isn't a county in the state or country that wouldn't want this type of project. Commissioner Lynn asked if these certificates were portable to different states. Commissioner Batson responded that there were certifications in each state that require some license for a particular trade. There was additional discussion on reciprocity of license requirements between states and the likelihood of different states accepting licenses from another state.

Commissioner Kuhl asked about the additional operating costs of \$18,750 and what the College's plan was to cover those costs. Mr. Hawley stated that the College had sufficient funds in the operating budget to cover the relatively nominal increase in operating costs in addition to funds from the lease payment savings that would also be available to offset the increase in the utility costs. Commissioner Lynn asked if there was any private sector competition with these programs. Mr. Hawley stated there were no other

providers in the Conway area and that the workforce came to the College for help getting people trained in these skills.

With no further questions, it was moved (Batson), seconded (Phillips), and voted to approve the Acquisition of Construction Trades Building - Conway project as proposed.

## **VI. Lease approval**

### **A. University of South Carolina**

#### **1. Park Place Columbia Student Housing – New Lease Approval**

Mr. Glenn stated that this lease was for 424 beds at the Park Place property at 506 Huger Street. This facility is privately owned by the Park 7 Group. This lease has a term of August 1, 2017 through July 31, 2020 and includes four one-year options. Mr. Glenn referenced information provided by USC that supported the need for additional university controlled housing even though there had been significant student housing construction in the Columbia area in the last couple of years. The data confirmed that the demand for student housing was strong and the wait list numbers for recent years was above the 1,000 bed mark. Mr. Glenn explained the various demand factors for the University's student housing and spoke to data collected. This included information regarding comparables in the areas that indicated the costs of the leased beds were reasonable. Mr. Glenn further stated that student housing in the Bates Dormitory area of the main campus will be expanded but that housing will not be fully available until around 2024. This project was an opportunity to solve part of the problem of not enough University controlled student housing.

Commissioner Batson asked what would happen to the students on the waiting list each year. Mr. Rick Kelly stated that those students largely end up going to some type of privatized housing. Commissioner Batson asked if the cost of security was included in the rent students pay. Mr. Kelly stated that the cost was included.

Commissioner Kirkland asked if the University would be paying for the 424 beds regardless of the student occupancy rate and asked if there was any play in the lease that would allow the University an opportunity to offset any losses from empty beds. Mr. Kelly stated that the University has a ten-month cancellation clause in the lease. He added that with the 1,600 waiting list the University had right now, if the owner had allowed it, the University could have easily leased the entire building. Commissioner Kirkland asked if the University holds any leverage over those new students as they apply for housing to encourage all 424 beds to be leased. The University stated that this housing is mainly for upper classmen and twelve month students so this would be more of a choice of the students versus the University trying to put students there. Commissioner Kuhl stated that the lease was very much in favor of the developer and not the University.

Mr. Glenn reminded the Commissioners that the supporting documentation included reference to a provision which allows the University, should they exercise the ten-month option to get out of the lease, an opportunity to sublet those rooms during that ten-month period to mitigate any losses that might be incurred. Commissioner Kuhl asked about the size of the total facility. Mr. Kelly stated that there were 625 beds. Commissioner Kirkland asked if the University picked the 424 bed figure. Mr. Kelly stated that that number was a negotiated number, down from the University's initial request. Mr. Kelly stated that the University went to the landlord to seek beds. Commissioner Lynn asked what type of students would live in this housing. Mr. Kelly responded that it would be traditional students; predominantly sophomore, junior, and senior students.

Commissioner Kirkland asked who would be responsible for subletting the rooms if necessary. Mr. Kelly stated that the University would be responsible but the landlord would work with them to assist

in filling any sublet beds. Commissioner Kuhl asked if they truly believed that a student would be willing to pay \$1,120 for a one-bedroom apartment. Mr. Kelly responded that each student would pay \$921 regardless of the number of rooms in each apartment. Commissioner Kuhl then asked what the rates were for current campus housing. Mr. Kelly stated that each dorm is different and there was a range across campus and that this housing option was above the midpoint of current campus housing but was not the highest rate on campus. Commissioner Kuhl asked who would pay for the lease payments if students do not fill these beds and subletting was not available. Mr. Kelly stated that the housing reserve would pay for any difference in bed space that the students do not fill. Mr. Kelly emphasized that the demand was there for all these beds to be filled. Commissioner Kuhl asked if there is a list of students who the University knows would be willing to pay the amount of rent for this student housing. Mr. Gene Luna said that the students would be willing to pay and there was currently a 95-99% occupancy rate on University housing that was more expensive than the lease rates for this housing.

With no further questions, it was moved (Lynn), seconded (Phillips), and voted to approve the Park Place Columbia Student Housing lease as proposed with Commissioner Kuhl voting against the motion.

## **VII. Financial Evaluation Matrixes**

Commissioner Kuhl introduced the Financial Evaluation Matrix and stated that there would be changes in the way the Commission will be doing the financial evaluation process in the future. She explained that Chairman Hofferth and other Commissioners had met with the presidents of the comprehensive universities, the technical college system, and the research institutions, and had briefed them on what was involved in the financial evaluation matrix, why we were wanting to do this, and how this was going to give the Commission more comprehensive tools to provide for improved evaluations. Commissioner Kuhl explained that there would also be changes in the procedures for the Commission, noting that in the past, Phase I and Phase II approvals were generally linked and if you received approval for Phase I, then you were likely to get Phase II approval. Commissioner Kuhl then explained that Phase I and Phase II approval will now be independently considered, adding that when Phase I projects come in, we will take the financial matrix list and identify each item on the list on which we need additional information to adequately review the project. She noted that we would make every effort to expedite anything that was a health and safety related. For other projects, the institutions need to plan for at least two months for Phase II approval.

Commissioner Kuhl acknowledged it may not take two months for approval for every project as the Commission may have all of their questions answered when the institution comes in the first time. However, approval may be complex and we may need the first month to sit down and talk to understand more thoroughly what the institution is wanting to do. Commissioner Kirkland stated that this is simply an opportunity to gather information from the institutions as requested, have the projects in front of us in the final form, and give 30 days to develop questions and answer questions to determine if additional questions need to be answered.

Commissioner Kuhl encouraged the institutions to plan ahead with the CPIP and include their projects so the Commissioners can know which projects to expect over the next few years. She noted that the CPIP approval process could also change in the future by breaking down the approval of the comprehensives at one time, research at another time, and the technical colleges at a different time so we can put more emphasis on each of these projects coming in and think about the projects in a like sector.

Commissioner Kuhl concluded her remarks by identifying a few items on the financial matrix that were being removed right now. These items included the ten-year residence hall data; information regarding the meal plan; and the classroom utilization data. She further explained that these data might be requested if germane to a particular project but that, for now, they were being omitted.

With no further questions, it was moved (Kirkland), seconded (Phillips), and voted to approve the Financial Evaluation Matrixes as revised with an effective implementation date of February 1, 2017.

**VIII. Other Business (For Information, No Action Required)**

**A. List of Capital Projects & Leases Processed by Staff for November**

There was no discussion on the list of capital projects and leases processed by staff for November.

With no further business, Commissioner Kuhl adjourned the meeting at 11:02 a.m.

Respectfully submitted,

Morgan O'Donnell  
Recorder

*\*Attachments are not included in this mailing but will be filed with the permanent record of these minutes and are available for review upon request.*