

The University of Central Arkansas Board of Trustees convened in a called meeting at 3:30 p.m., September 16, 2014, in the Board of Trustees Conference Room in Wingo Hall with the following officers and members present:

Chair:	Ms. Kay Hinkle
Vice Chair:	Mr. Brad Lacy
Secretary:	Ms. Shelia Vaught
	Mr. Bunny Adcock
	Ms. Elizabeth Farris (via telephone)
	Mr. Victor Green (via telephone)
	Mr. Bobby Reynolds (via telephone)

ACTION AGENDA

Property Acquisition – 2302 Bruce Street, Conway, AR (Wesley Foundation)

The Wesley Foundation Campus Ministry owns the property located at 2302 Bruce Street. At the July 22, 2014 meeting, the board authorized the administration to proceed with eminent domain proceedings in order to acquire the property. The administration and the Wesley Foundation subsequently reached an agreement for the sale and purchase of the property. Acquisition of this property and the adjacent property owned by the Greenbrier Missionary Baptist Association (Perspective Baptist Ministry Building) will allow the new addition to the Lewis Science Center to be located on Bruce Street.

The property was appraised for \$460,000 as of May 16, 2014. A copy of the appraisal was previously provided to board members. The university has an offer and acceptance with the sellers for \$460,000. A copy of the agreement and letter of acceptance is attached. In addition to payment of \$460,000, the university has agreed to a 99-year lease for land on College Avenue for one dollar per year and a rent free temporary location. The Wesley Foundation will also have the option to remain on the property until December 30, 2014.

The closing of the proposed acquisition is conditioned upon the approval of the Board of Trustees.

The following resolution was unanimously adopted upon motion by Bunny Adcock and second by Brad Lacy:

“BE IT RESOLVED: That the Board of Trustees approves the transaction described above with the Wesley Foundation Campus Ministry for the sale and purchase of a building with a street address of 2302 Bruce Street, Conway, Arkansas, for the sum of \$460,000, a 99-year lease for land on College Avenue, and a rent free temporary location, and the president and such other officials of the University of Central Arkansas, as the president may from time-to-time designate, are hereby authorized and directed to enter

into and execute such other documents, agreements and instruments as are necessary and required to consummate the foregoing purchase.”



Wesley Foundation Campus Ministry UCA

July 23, 2014

The Honorable Thomas Courtway, President
University of Central Arkansas
201 Donaghey Avenue
Wingo Hall 207
Conway, Arkansas 72035

RE: Offer of Purchase

Dear President Courtway:

The Board of Directors of the Wesley Foundation at UCA has voted to accept the University's offer to purchase our property at 2302 Bruce Street for the sum of Four Hundred Sixty Thousand Dollars (\$460,000), under the terms and conditions of your letters of May 27th, June 4th, and July 2nd, which includes but is not limited to the following:

1. A 99 year lease at the rate of \$1 per year of the property on College Avenue identified as Tract 1.
2. The use of the property at 2331 College Avenue as a temporary site for three years, with the ability to extend the use of this property for an additional year if needed, as long as progress is being made toward design and construction.
 - a. No rent would be required for the use of this space.
 - b. UCA would be responsible for heating, air conditioning, plumbing, electrical, roof, structural walls, and other similar matters.
3. The ability to move a storage building to the temporary site and ultimately to the permanent site.
4. The ability to provide parking on the permanent site that is accessible from the existing asphalt drive, as well as the use of parking spaces in the UCA parking lot to the south of Tract 1, with three designated spaces for the Wesley Foundation.
5. The Wesley Foundation would maintain possession of our existing facility and property at 2302 Bruce Street until the close of business on Tuesday, September 30, 2014.

Rev. John Palmer
-Campus Minister

Wesley Foundation
UCA
P.O. Box 4914
Conway, AR 72035

Phone: 501.327.7173
501.450.0707

Email:
wesfound@conwaycorp.net

Web Address:
wesleyfoundation.net

On behalf of the Board of Directors,

Best Regards,



Elizabeth Hart, Chair



Lori Page, Secretary



Rev. Blake Langston, Campus Minister

cc: Warren Readnour, General Counsel



July 24, 2014

Wesley Foundation ~~ASTC~~
2302 Bruce Street
Conway, AR 72034

of the UCA University of Central Arkansas

RE: OFFER & ACCEPTANCE – 2302 Bruce Street, Conway, AR 72034

Dear Wesley Foundation ~~ASTC~~:

As I mentioned in my July 23, 2014, email, our earlier offer remains open; however, time is of the essence. I am sending this letter to consolidate the various communications that have outlined the earlier offer. Subject to the satisfaction of all of the provisions and conditions set forth herein, the Board of Trustees of the University of Central Arkansas (“Buyer”) offers to purchase from the Wesley Foundation ASTC (“Sellers”) the property described below for the sum of Four Hundred Sixty Thousand Dollars (\$460,000), plus the Buyer’s share of the closing costs.

Wesley Foundation of the University of Central Arkansas f/k/a

The property subject to this offer and acceptance is a building and lot located at 2302 Bruce Street, Conway, Arkansas, 72034, and is more particularly described as follows:

Lots 9 and 10, Block 6, Littles Addition to the City of Conway, Arkansas, as shown on plat of records in Plat Book A, Page 148, Records of Faulkner County, Arkansas and also the East half of a 16 foot alley.

The foregoing legal description shall be referred to as the “Property.” If a survey shall establish a different legal description, the parties agree to modify the legal description to conform to the survey, the intent of the parties being that the entire parcel owned by the Sellers is to be conveyed at closing.

The terms and conditions of this offer to purchase are as follows:

1. The closing date will occur at a mutually acceptable date to be agreed upon by both parties, but shall occur not later than August 22, 2014;
2. Buyer shall be entitled to possession of the Property at closing; however, we would permit your organization to remain in your existing facility until the close of business on Tuesday, September 30, 2014. As part of such possession, however, your organization would be required to indemnify and hold UCA harmless from and after the closing until the date we take possession.

3. A policy of title insurance satisfactory to Buyer, insuring unencumbered fee simple title to the Property in Buyer as of closing shall be procured and paid for by Sellers;
4. Sellers shall deliver at closing (a) a warranty deed in standard form conveying fee simple absolute title to the Property (and any mineral interests owned by Seller), free from all liens, claims or encumbrances of any kind with the grantee being "The Board of Trustees of the University of Central Arkansas" and (b) an assignment of any leases and all rents from the Property, if any;
5. Any and all taxes or assessments on the Property for the current year will be prorated at closing. Sellers shall be responsible for all real property taxes for previous years;
6. Buyer ~~and Sellers~~ will ^{pay} ~~share~~ the cost of closing fees and document preparation. No revenue stamps shall be required due to an exemption under Arkansas law for conveyances by or to a state agency (Buyer);
7. If any personal property shall be stored or situated on the Property, the same shall be removed prior to ~~closing~~; *September 30, 2014.*
8. Sellers represent and warrant to Buyer that Sellers are the sole owner of the Property, and no other person or entity has any form of ownership interest in, or right to use or occupy the Property, and further, that Sellers are in sole and exclusive possession of the Property, ~~except for leases, copies of which have been delivered to representatives of Buyer;~~ *as held in trust for the United Methodist Church as described by the Book of Discipline of the United Methodist Church.*
9. Sellers represent and warrant to Buyer that all liens against the Property and all money owed on the Property, if any, are the responsibility of Sellers, and if existing will be satisfied and paid in full at, or prior to, closing;
10. Sellers represent and warrant to Buyer that there are no unrecorded rights-of-way for roadway, utilities or other matters affecting the Property;
11. Sellers represent and warrant to Buyer that there is no loss arising from oil, gas, or other minerals conveyed, retained, or assigned, or from any other activity concerning sub-surface rights or ownership of the subject property, including but not limited to the right of egress or ingress for said sub-surface purposes;
12. Sellers represent and warrant to Buyer that there are no proceedings, either pending or threatened, which, if decided adversely to Sellers, would constitute a lien on the Property; nor are there any money judgments entered by a court against Sellers that constitute a lien on the Property.

Wesley Foundation

July 24, 2014

Page 3

13. Sellers represent and warrant to Buyer that there are no unrecorded contracts of sale, options to purchase, or any other kind of agreement with any person or entity, affecting the Property;

14. Sellers shall be responsible for all risk of loss to the Property and improvements thereon (if any) prior to closing;

15. If Buyer desires to have a survey of the Property performed prior to closing, Sellers agree to cooperate in having the survey performed. Any survey shall be at the expense of Buyer;

16. Sellers represent and warrant that to the best of Sellers' knowledge, no hazardous wastes or materials of any kind have been generated, produced or stored upon the Property, and that to the best of Sellers' knowledge, no such hazardous wastes exist today on the Property; and

17. Sellers shall complete and deliver, prior to closing, the attached "Disclosure Form" which will become part of the Offer and Acceptance document. Failure to make any disclosure required by the Governor's Executive Order 98-04, or any violation of any rule, regulation, or policy adopted pursuant to that order, shall be a material breach of the terms of the contract. Any contractors, whether an individual or entity, who fails to make the required disclosure or who violates any rule, regulation, or policy shall be subject to all legal remedies available to the Buyer.

18. Buyer's obligations under this agreement are expressly conditioned upon the prior approval of the Board of Trustees of the University of Central Arkansas. This agreement and Buyer's obligations hereunder shall not be a valid and binding legal obligation of Buyer until approved by resolution duly adopted by the Board of Trustees of the University of Central Arkansas.

19. Buyer will lease and let unto Seller unimproved real property located on College Avenue. The property is identified as Tract 1 on the attached Exhibit A. Seller shall be granted a 99 year lease at the rate of \$1 per year, subject to signing of a lease agreement prepared by Arkansas Building Authority. The property must be used for construction of a building by the Seller, subject to University approval, that will be used for ministering to University students in a similar manner to the current use of the property at 2302 Bruce Street. Seller shall not lease, sublease or sell or permit the use of any portion of the property. In the event you vacate the premises, or the lease expires, we would have the option to purchase the improvements for their then fair market value as determined by appraisals.

20. We will provide you temporary space at 2331 College Avenue. The use of such temporary space is subject to the following conditions:

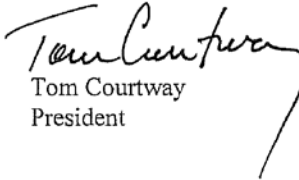
Wesley Foundation
July 24, 2014
Page 4

- (a) No rent will be required;
- (b) The time of the temporary space will be three years from the date we close on the purchase and sale of your existing property, although with both parties written consent an additional year could be added;
- (c) Your organization will be responsible for payment of all utilities; and
- (d) Your organization will be responsible for maintaining the interior, exterior, and all routine maintenance of the structure. Maintenance of the exterior will include mowing at least once per week during the spring and summer months. We will be responsible for heating, air conditioning, plumbing, electrical, roof, structural walls, and other similar matters.

If the terms are agreeable to you, please sign and deliver the original to Warren Readnour, General Counsel, University of Central Arkansas, Wingo Hall 207, 201 Donaghey Avenue, Conway, AR 72035. If you have any questions, you may call Mr. Readnour at 501-450-5007.

This offer shall terminate and be of no effect unless it is signed by Sellers, and delivered to Warren Readnour, General Counsel, by 1:00 P.M. Central Time on Friday, August 1, 2014.

Sincerely,



Tom Courtway
President

ACCEPTANCE BY SELLERS

The offer set forth above and all terms and conditions are hereby accepted on this _____ day of _____, 2014, at _____ (A.M. or P.M.).

Wesley Foundation

By: _____

By: _____

Contract Review Procedures – Board Policy No. 416

Pursuant to Board Policy No. 416, Contract Review Procedures, the administration must seek board approval for (i) any contract which will require the expenditure by the university of funds, at any time, in excess of \$250,000; or (ii) any contract with a term exceeding one year, unless the Office of General Counsel certifies, in writing, that the contract may be terminated by the university on the giving of written notice of 90 days or less.

The administration is seeking board approval for the following contract:

- Agreement between the University of Central Arkansas and Bell Construction Company, Inc. for the renovation of the McCastlain Hall basement.

The following resolution was unanimously adopted upon motion by Shelia Vaught and second by Bunny Adcock:

“BE IT RESOLVED: That the Board of Trustees authorizes the administration to enter into the contract for the purposes set forth above.”

UNIVERSITY OF CENTRAL ARKANSAS
REASON FOR REQUIRING BOARD REVIEW AND ACTION

(Board Policy #416)

Contract involving more than \$250,000

SUMMARY

1. Parties: Agreement between the University of Central Arkansas and Bell Construction Company, Inc. (North Little Rock).
2. Purpose: The purpose is for the renovation of the basement of McCastlain Hall.
3. Term: N/A.
4. University Funds to be paid: \$656,878. These funds were made available from planned transfers in fiscal year 2013.
5. Funds Received: None
6. Public Bid/Purchasing Approval: A competitive Invitation for Bid (“IFB”) was issued to obtain a contractor to renovate the McCastlain Hall basement. The IFB opened on August 19, 2014. Five (5) construction contractors submitted bids. The low bidder was Bell Construction Co. Inc. with a total bid amount of \$656,878.00.
7. Special Provisions/Terms/Conditions: The completion date is March 1, 2015.
8. Approval/Notification to UCA Foundation: N/A.

Form prepared by: Warren Readnour, General Counsel

Date: September 4, 2014

Request to Proceed with a Feasibility Study for the Issuance of Bonds, in an Amount not to Exceed \$17,500,000, to Finance the Design and Construction of Donaghey Hall located in The Donaghey District at UCA

The administration has discussed and researched the concept of a mixed-use facility, combining housing and retail/commercial within the same building, which would be located on the corner of Bruce Street and Donaghey Avenue. With fall 2013 and fall 2014 occupancy rates exceeding 99%, additional housing is a high priority. In particular, there is a critical need for housing for upperclassmen. The concept was presented and discussed at the board's retreat in April 2014 and at the August 2014 board meeting.

The administration is now requesting that the Board of Trustees grant authority to proceed with a feasibility study for a bond issue to fund the design and construction of a mixed-use facility combining housing and retail/commercial space, which will be located in an area known as The Donaghey District at UCA.

In December 2013, the Polk Stanley Wilcox (PSW) architectural firm was approved by the board to begin the concept and preliminary design work on the project. PSW and their consultant worked with the university and the City of Conway regarding the vision for the Donaghey corridor, including the street design for the areas contiguous to the UCA campus. A survey was distributed to the university faculty, staff and students, to gather feedback on the housing needs for students and the retail needs for the larger campus community. More than 1,200 responses were received.

The proposed facility includes four floors, the upper three at 17,500 square feet each are dedicated to residential space providing an additional 165 upper-classmen beds. The 15,000 (13,500 leasable) square feet on the first floor will provide retail and commercial space for tenants. The building will be named Donaghey Hall.

The project is anticipated to cost approximately \$17.75 million, including construction costs, architecture fees, engineering fees, construction management fees, utility work, infrastructure, furnishings and fixtures, cost of debt issuance, and a contingency. The proceeds of the bonds, if approved by the Arkansas Higher Education Coordinating Board ("Coordinating Board"), and then by UCA's board, along with an additional \$250,000 of university funds will be used to pay for the project.

The debt service will be repaid with housing revenue from the residents and rents from the retail and commercial tenants. The breakeven year is projected to be between year eight and year nine, depending on the lease revenue per square foot.

The Coordinating Board's policy regarding debt service for auxiliary projects provides that annual net auxiliary revenues should be no less than 120 percent of the total annual auxiliary debt service.

Auxiliary Debt Restrictions

Net Auxiliary Revenue for FY 2013-14	\$ 13,161,720
Maximum Allowable Debt Service (\$13,161,720/120%)	10,968,100
Existing Maximum Auxiliary Debt Service	7,814,540
Estimated Maximum Project Debt Service (based on anticipated max. 5.3%)	1,165,081
Amount Remaining for Additional Debt Service	\$ 1,988,479

The above data demonstrates that the university has sufficient revenue to support auxiliary debt of approximately \$17.5 million with a term of 30 years at an estimated annual interest rate not to exceed 5.75%.

In accordance with the Coordinating Board's policy, the university will establish and maintain a building maintenance fund to be supported by auxiliary revenue. The institution will reserve a minimum of \$1.25 per square foot of the combined square feet, annually, for ongoing maintenance issues. This annual transfer of \$84,375, based on the combined square feet will be held in Plant Funds' Repair and Replacement Fund. If the bond feasibility study is approved by the Coordinating Board, another resolution on this project will be presented to the Board of Trustees at a future meeting.

The preliminary time line for the construction phrase is as follows:

- | | |
|------------------------|---|
| September 2014 | <ul style="list-style-type: none">• Board approves project• Board approves Economic Bond Feasibility Study |
| November/December 2014 | <ul style="list-style-type: none">• Board approves construction manager contract• Board approves bond resolution |
| April 2015 | <ul style="list-style-type: none">• Construction begins (14 months) |
| June 2016 | <ul style="list-style-type: none">• Building turned over to UCA |

The following resolution regarding the issuance of bonds for Donaghey Hall was unanimously adopted upon motion by Bunny Adcock and second by Brad Lacy:

“BE IT RESOLVED: That the Board of Trustees authorizes the administration to (1) proceed with the planning, design and construction of a four-story facility known as Donaghey Hall, comprised of one floor of retail and commercial space and three floors of housing space with an estimated cost of \$17.75 million and (2) enter into contracts necessary to facilitate the project.

BE IT FURTHER RESOLVED: That the Board of Trustees adopts the attached resolution regarding the issuance of bonds for Donaghey Hall.”

**A RESOLUTION BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF
CENTRAL ARKANSAS AUTHORIZING ALL STEPS NECESSARY TO ISSUE BONDS
NOT TO EXCEED THE AGGREGATE PRINCIPAL AMOUNT OF \$17,500,000**

WHEREAS, The Board of Trustees of the University of Central Arkansas (“University”) must approve all requests for financing; and

WHEREAS, The University desires to secure funds in an amount not to exceed \$17.5 million by the issuance of bonds, with a term not to exceed 30 years at an interest rate not to exceed 5.75% and with a projected average annual debt service of \$1,165,081; and

WHEREAS, The proceeds from the bonds will be for the design and construction of a four-story facility known as Donaghey Hall located in The Donaghey District at UCA, first floor accommodating retail and commercial tenants, floors two through four providing housing with 165 beds; and

WHEREAS, If approved and issued, the bonds will be serviced from auxiliary revenues of the University, the same being housing revenue from residents of the housing units and the rents from the retail and commercial tenants; and

WHEREAS, The Board of Trustees authorizes and recommends the commencement of preparations for securing a bond issue in an aggregate principal amount not to exceed \$17,500,000 for the purposes described above.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES THAT:

Section 1. The Board of Trustees of the University of Central Arkansas hereby authorizes the administration to commence all necessary preparations to issue bonds in an amount not to exceed \$17,500,000 with a term not exceeding 30 years and at an interest rate not to exceed 5.75%, with terms and conditions satisfactory to the administration, subject to final review and approval by resolution of this board.

Section 2. The board further authorizes the administration to seek approval from the Arkansas Higher Education Coordinating Board for issuing the bonds.

Section 3. The bonds will be secured for the purpose of design and construction of a four-story facility known as Donaghey Hall, comprised of one floor of retail and commercial space and three floors of housing space.

ADOPTED AND APPROVED SEPTEMBER 16, 2014

**UNIVERSITY OF CENTRAL ARKANSAS
BOARD OF TRUSTEES**

By: _____

Kay Hinkle, Chair

ATTEST:

By: _____

Shelia Vaught, Secretary

Donaghey Project Comparison Summary-Scenarios (current rates+100BP)				
Lease revenue per sf	0.00	13.00	15.00	No Commercial 220 Beds
Lease revenue YR 1	0	175,500	202,500	0.00
Housing revenue YR 1	894,791	894,791	894,791	1,125,556
Total revenue YR 1	\$ 894,791	\$ 1,070,291	\$ 1,097,291	\$ 1,125,556
% Revenue from Lease	0%	16%	18%	0%
Break even Year	15	9	8	8
Return on Investment	5.4%	6.9%	7.1%	7.3%
Bond amount (est)	\$ 17,390,000			
DS per million (est)	\$ 66,993			
Ave. annual DS (est)	\$ 1,165,000			
Capitalized interest	\$ 1,061,840			
DSR dep	\$ 903,264			
Est. cost of issuance	\$ 190,000			
Project fund	\$ 15,485,983			
Leasable SF	13,500			
Total building SF	67,500			
% of bldg commercial	20%			
Revenue Assumptions				
		Fall	Spring	Summer
Occupancy percent		100%	96%	31%
Occupancy # 165 less 3 RA beds		162	155	50
Housing rates comparable to Bear Village and have a 3% annual increase built in.				
Single (78)	\$3,050			
Double (84)	\$2,036			
Meal Plan revenue is based on 12% commission for declining balance plans for fall and spring semesters				
Debt Related Indicators				
FY2012-13	CFI	Viability	Debt Burden	Debt Coverage
ASUJ	1.550	0.440	5.57%	1.91
ATU	4.200	0.974	5.02%	3.62
HSU	1.390	0.386	5.12%	1.52
UALR *	0.020	0.345	4.46%	1.23
UCA 2013	2.244	0.413	5.72%	2.59
UCA 2014 (Unaudited)	3.123	0.489	6.24%	2.83
UCA w/LSC (4)	3.035	0.446	6.53%	2.69
UCA w/LSC & Dghy (4)	2.880	0.400	7.08%	2.47
Recommended	1.1-10.00	1.25	7.00%	2.4-4.6
Notes	(1)		(2)	(3)
*UALR does not include any data from a foundation.				
1)NACUBO recommends a score of 3.0 for the CFI.				
2)KPMG recommends 5%, realizing that 7% or less is more realistic.				
3)Prager, Sealy, & Co., Inc. <i>Strategic Financial Analysis for Higher Education</i> .				
4)Based on 6/30/14 financial information				
vpfa/bonds and loans/donaghey Mixed Use/proforma summary				
9.8.14				

Donaghey Mixed Use Facility (Current+100bp)			
Sources and Uses			
Average Debt Service Payment	\$		1,165,081
Project needs in millions	\$		17.641
UCA funds in millions			0.250
Bonding needs in millions	\$		17.391
Construction cost per sf	\$		178
Project cost per sf	\$		229
Square Feet			67,500
Construction costs	\$		12,015,000
Architects and Engineering <i>6.5% of Construction cost</i>	\$		780,975
Construction Manager <i>4.5% of Construction cost</i>	\$		540,675
Infrastructure	\$		1,050,000
Furniture and Fixtures	\$		380,000
Contingency <i>5% of Constr.</i>	\$		719,333
Capitalized interest	\$		1,061,840
Bond reserve payment	\$		903,264
Cost of Issuance	\$		190,000
Total Project Cost	\$		17,641,087
Ongoing costs			5%
Custodial/Grounds	30,000		
Utilities @ 1.50 Per sf	101,250		
ADHE ann. maint. trans \$1.25 per sf	84,375		
Debt Payment	1,165,081		
Total on-going costs	<u>1,380,706</u>	Funded from housing revenue	
Furnishings			
Bedrooms = \$2K per person	165	2,000	330,000
Public Spaces - Study, lobby, kitchen			50,000
			380,000
vpfa/bonds and loans/donaghey mixed use facility Use of bond funds-1			
as of 9/11/14			

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned upon motion by Shelia Vaught and second by Bunny Adcock.

**The University of Central
Arkansas Board of Trustees**

**Kay Hinkle
Chair**

**Shelia Vaught
Secretary**