

Special Meeting

of the

Blackhawk Technical College District Board

December 6, 2016

Minutes

A special meeting of the Blackhawk Technical College Board was held on Tuesday, December 6, 2016, at the BTC Administrative Center, 6004 S. County Road G, Janesville, in the Board Room. The following members were present: Eric Thornton, Chairperson; Barbara Tillman, Vice Chairperson (via phone); Laverne Hays, Secretary; Rick Richard, Treasurer; Tom Heeg; Mark Mayer (via phone); Dr. Karen Schulte; and Malik Surani (via phone). Board members absent: Traci Davis. BTC staff present: Dr. Tracy Pierner, Renea Ranguette, and Jackie Pins.

Chairperson Thornton called the meeting to order at 4:01 p.m.

Dr. Pierner shared information on the investigation of the purchase of the Advanced Manufacturing Training Center (AMTC) building by the BTC Foundation. The current owners are receptive of extending BTC's Option to Purchase Agreement to the Foundation. Ownership of the building provides an excellent investment opportunity for the Foundation. With the Foundation purchasing the building, the building would be property tax exempt. The purchase must be executed by December 30 in order for the property tax exemption to be effective for the 2017 tax bill. The College's building lease would not change, and the option for BTC to purchase the building in the future would still exist. Lease payments made to the Foundation would allow a loan pay off on the building in approximately 6-7 years. The investment would virtually double the Foundation's endowment, with investment income being considered unrestricted funds. The increase in unrestricted funds would provide the opportunity for the Foundation to be more self-sustainable in the future.

Ms. Ranguette reviewed the Amendment and Supplement to WB-24 Option to Purchase which was prepared by legal counsel and would be entered into by BTC, the BTC Foundation, and the property owners. The document provides for the BTC Foundation to become a party to the Option to Purchase Agreement and have all the same rights and obligations under the Option Agreement as if the Foundation had executed the Option Agreement as "Buyer". Either the College or Foundation may exercise the right to purchase all or any part of the property; however, once the right to purchase a certain portion of the property has been exercised, the other party's right to exercise the option to purchase shall be terminated. Purchase of the building will include assignment of the lease to the Foundation.

Under the Partial Exercise Option, the Foundation would pay \$2 million to the seller, and would have 100% interest in the building. The College and the Foundation each have the option to purchase the land at a price of \$1 million regardless of when the right is exercised.

The Amendment brings the Foundation in as a party to the Environmental Indemnity Agreement and protects it from pre-existing conditions defined within the Agreement.

The AMTC lease payment for the College would remain unchanged. The lease payment would be used to pay for the ground lease to the land owner and the balance applied to the Foundation's mortgage. In conversations with the State Office, the Foundation would not be able to

gift the building to BTC in the future, but the College would be able to purchase the building from the Foundation at the original purchase price. When the mortgage is paid off, lease payments will be reduced to land lease costs only.

Two land lease options were reviewed. Option 1 provides a cost of \$84,000/year and locks in a purchase price of \$1 million, plus a 2% annual inflator. Option 2 provides a lower lease rate of \$66,000/year, but a purchase price would be negotiated at the time the right to the purchase the land is exercised. Legal counsel has recommended exercising Option 1 to lock in a land purchase price with the higher lease rate. The College has extended a counteroffer to the owner for the locked land price at the lower lease rate.

Foundation donations on-hand for the AMTC project total \$500,000; a total of \$1.5 million would be borrowed to complete the transaction. The BTC Foundation released a solicitation for financing proposals for the purchase of the AMTC building. The Foundation Board is scheduled to meet on December 9, 2016, to approve assignment of the rights of the Option to Purchase Agreement and to award a contract for financing the purchase.

District Board approval is requested to approve the assignment of rights under the AMTC Option to Purchase Agreement to the Blackhawk Technical College Foundation. Administration also recommended the District Board specify the land lease option to exercise.

District Board discussion followed. Points of clarification included: If someone other than the College or the BTC Foundation purchased the land in the future, that party would be bound to the current lease agreement. The College has a triple net lease which means we pay for the lease, property taxes, and utilities.

It was moved by Dr. Schulte and seconded by Mr. Hays to approve the assignment of rights under the Advanced Manufacturing Training Center Option to Purchase Agreement to the Blackhawk Technical College Foundation.

Motion carried unanimously.

The District Board further recommended to the BTC Foundation the preference of a lease payment of \$66,000/annually with a lock in \$1 million land price, plus the 2% annual inflator. Option 2 would be for a lease payment of \$84,000/annually with a locked in \$1 million land price, plus a 2% annual inflator. Administration will share the preferences with the Foundation Board.

It was moved by Mr. Richard and seconded by Dr. Schulte to adjourn the meeting at 4:49 p.m.

Motion carried.

Laverne E. Hays
Secretary