

**METROPOLITAN STATE COLLEGE *of* DENVER  
BOARD OF TRUSTEES**

**Special Board Meeting**

**August 17, 2010**

**7:30-8:30 a.m.**

**Writer's Square**

**1512 Larimer Street**

**7th Floor Conference Room**

**CALL TO ORDER**

The Special Meeting was called to order by Chair Cohen at 7:34 a.m.

**ATTENDANCE**

Chair Cohen, Trustees Esquibel, Robinson, Hanzlik, Bookhardt, Nees, and Kammack were in attendance. Vice Chair Lucero and Trustees Phelan and Garcia-Berry attended telephonically.

Guests in attendance included Stephanie Chichester, Mike Polumbo, Bob Swerdley, Fred Marienthal, Scott Beck, David Packard, Navin Dimond, and Gene Commander. Doug Ammons attended telephonically.

**ACTION ITEM**

**Resolution 2010-S01: Approval of Incorporation of Special Purpose Corporation**

General Counsel Martinez introduced all of the legal and financial advisors present who had been working on the legal and financial structure of the Hotel/Hotel Learning Center (HLC). She stated that the Special Purpose Corporation the Board was being asked to approve is a very common structure for governmental entities to utilize. It will be a non-profit, and a wholly owned subsidiary of Metro State. This structure will ensure that risk is controlled as much as possible for Metro State and ensure the lowest possible cost for financing the project. The Board will pass the articles and bylaws, and if those are to be amended in the future, it will only occur with the Board's consent. Metro State's Board of Trustees will also name the Board members of the Special Purpose Corporation. A preliminary Board is recommended, to include a Trustee and a Foundation Board member, but the Board membership will evolve as the project focus shifts from development and construction to operations. Three staff members are recommended to the preliminary Board; General Counsel Martinez, Vice President Lutes and Vice President Besnette Hauser. Those are positional Board memberships, not individual. Any successors would take on those roles. General Counsel noted that down the line a bit, an authority will need to be created to issue the bonds. The authority will be created via contract and will report to the Special Purpose Corporation and Metro State. The financial plan and the final legal structure will be brought before the Board at the September meeting. Contracts with the flag (Marriott), the operator (Sage Hospitality) and the builder (Mortensen) will be with the Special Purpose Corporation rather than with Metro State. The Special Purpose Corporation will be the borrower of the proceeds of the bonds and the contracting entity with private partners. It will not be the operator of the Hotel Learning Center, however. For the Board of Trustees, as guarantors of the

entire debt service, it is one obligation for both the Hotel and the HLC. The investors who purchase the bonds take the risk of a potential default on the project. The articles and bylaws of the Special Purpose Corporation specifically indicate that those obligations are not of the college. In looking at various structures, it was concluded that the college would assume the risk involved in order to assure the college's ownership of the facility in perpetuity so that if something happened in the relationship with the operator, the college would be able to either assure it's continued use as a hotel and learning center for students or change its use to something that benefits the college in another way.

Vice President Lutes discussed the feasibility studies and charts. The first feasibility study was done in 2007, and the second in 2010. The second study was done as potential bond purchasers would want a more recent study, and it provided a good confidence level in the figures. The estimates for revenue and expenditures were within a percent of each other. The interest rate will be approximately five percent or about \$3 million per year. The HLC will pay about 25% of that and the institution will be responsible for the remaining 75%. Projections show that after five years, the institution's part will be covered by hotel operations revenue. The first year will be the costliest as operations will not have begun yet.

Vice President Besnette Hauser stated that a full overview of the fundraising campaign structure will be provided at the Board's October Retreat, so the piece she discusses today is only a part of a larger picture. Their goal is to raise \$10 million. If displacement of the ball fields is factored in, it could be a \$10-12 million range. The tennis courts are included in the project costs, but the ball fields would be an additional expense. In-kind gifts, such as kitchen equipment for the HLC, would offset costs and reduce the amount of debt. While the hotel will be 'flagged' (Marriott), the HLC can have a host of competing brands inside. Walter Isenberg of Sage Hospitality has volunteered to lead the raising of the \$10 million. He looked at the hospitality industry and broke it down into ten separate 'buckets'. An industry captain or two will take responsibility for each \$1 million bucket. Each set of co-chairs will have a committee to assist them in raising the funds. A significant grant proposal will be submitted to the Marriott Foundation as well. Stimulus funds allowed the hiring of a campaign director with resources and experience. Dr. Jordan and Walter Isenberg are going out and speaking to major boards and economic development corporations, such as the Visit Denver Board. She said that the response from the community has been overwhelmingly supportive.

Chair Cohen summarized the next steps that will take place at the September 1 Board Meeting and came back to what the Board was being asked to approve at this Special Meeting. He drew the Board's attention to the resolution creating a Colorado non-profit corporation called HLC @Metro, Inc. to own the project and provide the financing, construction, improvement, operation and management of the project. The Board will also be approving the initial Board of Directors of HLC @Metro, to include Metro State's Vice President for Administration and Finance (Natalie Lutes), General Counsel (Loretta Martinez), Vice President for Institutional Advancement (Carrie Besnette Hauser), Metro State Trustee Dawn Bookhardt, and Metro State Foundation Board member Ms. Diedre Garcia, who owns her own construction company and is very well respected in the construction industry. Trustee Garcia Berry moved for approval of the creation of HLC @Metro, its articles and bylaws and the initial Board of Directors. Trustee Bookhardt seconded the motion. Chair Cohen asked for Board members attending

telephonically to voice their votes, which was followed by a verbal vote from those present. The creation of HLC @Metro, its articles and bylaws and Board of Directors were **approved unanimously**. Chair Cohen thanked the staff and the external professionals who really pulled together to make this all happen on a short timeline.

#### **ADJOURNMENT**

The Special Meeting was adjourned at 8:31 a.m.