

**SHEPHERD UNIVERSITY
BOARD OF GOVERNORS MEETING
9:00 a.m.
August 25, 2016
SPECIAL MEETING**

**President's Conference Room, Ikenberry Hall
Shepherdstown, WV**

AGENDA

Regular Session

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| 1. Call to Order | Chair Marcia Brand |
| 2. Sara Cree Hall Environmental Mitigation, Demolition, and Funding | Mr. James Vigil, Vice President for Administration |
| 3. New Business | Chair Brand |

Adjournment

Sara Cree Hall Environmental Mitigation, Demolition, and Funding

Sara Cree Hall is located Shepherd's on East Campus and is in close proximity to Ram Stadium, The Student Center, Erma Ora Byrd Hall (EOB), Kenamond Hall and Ikenberry Hall. Built in 1951, this 36,275 square feet structure housed a swimming pool, locker rooms for the pool, football locker rooms, and a gymnasium. After construction of the Butcher Center in 1990, Sara Cree Hall housed the first iteration of the Wellness Center and the Shepherd University Police Department. A black box theater was established in the front of the building. Since construction of the new Wellness Center and of CCA II, the building's use has been significantly reduced, but until summer 2016 still housed the University Police and the Picket student newspaper. When fully occupied, Sara Cree's annual utility costs averaged \$118,000.

Over the years, mechanical and infrastructure systems have fallen into such a state of disrepair that reinvestment in maintenance seemed unsound. The building has been identified for demolition since the early 1990's, but limited investments in boilers were made about fifteen years ago, while the building still serviced the Wellness Center. The building envelope has also become compromised and likewise costly repairs are impractical. In May of 2016, the University finalized the planning for relocation of the remaining occupants, the Shepherd University Police Department and the Picket, to other areas on campus.

Recognizing that Sara Cree Hall has fallen into a state of disrepair and that the building has exceeded its useful life, The 2014 Master Plan calls for it to be demolished in 2016, but financial constraints led the University to delay budgeting for the project. The visit of the West Virginia Higher Education Policy Commission (HEPC) Chancellor to campus in June has opened a previously unanticipated opportunity for the University regarding the financial feasibility of moving forward. The HEPC has a Capital Project Emergency Revolving Loan Fund from which it is willing to allocate up to \$750,000 as a loan to Shepherd, interest free.

The immediate need at Sara Cree Hall is mitigation of building conditions and components that are now classified as environmental hazards. Evolving conditions in spring 2016 worsened and required the termination of any further use of the building. Preliminary estimates for the environmental remediation are in a range of \$300,000 to \$600,000 and will be further clarified with cost estimates from engineering and hazardous materials mitigation contractors.

After the environmental hazards are remediated, an engineered deconstruction of the structure would be an independent capital project. Following demolition, the site will be repurposed as a gravel surface parking lot to create additional student-parking in close proximity to activities and classes on East Campus. This should help alleviate the volume of student parking which disrupts Shepherdstown's central business district. The University is proposing to establish a project budget of \$950,000 for demolition, based upon \$840,000 for contractor expense, \$60,000 in A&E, and \$50,000 in contingency.

The demolition would completely eliminate the building footprint of Sara Cree Hall. The ground surface from the end of the existing EOB parking area would be contoured in a moderate downhill slope to approximately the existing level of the grass plaza across from Ikenberry Hall. Surface parking is not the permanent plan for this location, so the University would seek to minimize the interim investment by utilizing a gravel surface rather than asphalt, saving the latter's requirement for curbs and increased storm water management. All vehicle traffic would enter and exit the parking lot from WV Rt#480, between Ram Stadium and Kenamond Hall.

The University now envisions multiple sources of funding to address these two distinct projects. An application has been submitted to the (HEPC) for a loan in the amount of \$750,000 from their Capital Project Emergency Revolving Loan Fund. The loan must be approved by the Board of Governors, and the University is requesting a five-year loan term with 10 semi-annual payments of \$75,000. The University is also seeking modest financial support for the Demolition Project from the Corporation of Shepherdstown, which would gain a secondary benefit from the expanded on-site parking for students. The University also believes that one or more contractors may be willing to bid on the demolition work on a discounted basis, as a contribution to the University, but that is an unquantified savings which might allow the project to conclude below the current, rough estimate.

Other than the financial contribution made by the Town, the University would ultimately absorb the remaining expense from its reserve funds. The loan from the HEPC would allow the annual cost or repayment to be at a level that can become an ongoing component of the capital budget. The HEPC loan funds would be applied to the environmental remediation work and any remaining funds would be applied to the \$950,000 demolition budget, with the additional expenses absorbed within our reserves.

The University's reserve funds have accumulated principally in the operations funds [student tuition fees] and in the auxiliaries' funds. Reserves in capital funds have been significantly reduced in recent years by the investments in the Martinsburg Center, the Rt#480 Underpass, and other projects. The balances in these three funds, as of March 31, 2016, stood at:

Student Tuition Fees (Education and General): \$8,164,694

Capital Fees (Education and General): \$2,229,415

Auxiliary Fees: \$11,137,803

The prospective schedule envisions environmental mitigation work to begin shortly after the football season is concluded, to avoid any disruption of the game day activities and to allow the work to occur when activity on campus is diminished, most likely in December.

The demolition project, subject to approval by this Board, would begin no later than the end of the spring 2017 semester, but earlier if the work can be scheduled without serious disruption to the academic year.

To allow the University to take full advantage of the HEPC loan program and complete the entire Sara Cree Hall demolition project, and to establish a capital fund balance that will maintain needed flexibility for FY17, it is recommended that the University reallocate up to \$900,000 from auxiliary reserve funds to education and general capital funds.

The following resolution is recommended for adoption by the Board:

RESOLVED, That the Shepherd University Board of Governors approves the application for and implementation of the loan from the West Virginia Higher Education Policy Commission Capital Project Emergency Revolving Loan Fund in an amount not to exceed \$750,000; proceeds to be used first for all expenses of environmental remediation at Sara Cree Hall and the remainder applied to expenses of the demolition project.

RESOLVED, That the Shepherd University Board of Governors approves the Sara Cree Demolition project and Project Budget of \$950,000 for demolition, independent of environmental remediation costs, as presented in the Agenda Book.

FURTHER RESOLVED, That the Shepherd University Board of Governors directs, pursuant to the provisions of Article Five of Chapter 18-B of the Code of West Virginia, as amended, and subject to the further approval of the necessary authorities at the State Capitol, that the President cause \$900,000 to be transferred from the Auxiliaries Fund to the E&G Capital Fund.