RESOLUTION

concerning the

PURCHASE OF PHASE I, APARTMENT HOUSING

at

EASTERN CONNECTICUT STATE COLLEGE

January 7, 1972

WHEREAS, the Board of Trustees has the responsibility for the development of the State Colleges, and

WHEREAS, the State has the option to purchase Phase I, Apartment Housing at Eastern Connecticut State College, and

WHEREAS, savings of $3,216,000 can accrue to students through the purchase of said housing, and

WHEREAS, the Attorney General's Office and the Commissioner of Public Works have recommended such purchase,

BE IT HEREBY RESOLVED, that the Board of Trustees for State Colleges approves the expenditure of $2,200,000 for revenue bonds to purchase said housing.
Dr. J. Eugene Smith  
Board of Trustees for State Colleges  
80 Pratt Street  
Hartford, Connecticut  

Dear Dr. Smith:

At the regular meeting of the Commission for Higher Education on January 11, 1972, a quorum being present and voting, a resolution was approved recommending that revenue bonds in the amount of $2.2 million be authorized by the 1972 General Assembly to purchase Phase I housing facilities at Eastern Connecticut State College.

I hereby certify that this is a true copy of the resolution.

Sincerely yours,

W. Robert Bokelman  
Associate Director  

WRB:ja  
Enclosure  
cc:  
Mr. Adolf G. Carlson  
Mr. Edward J. Kozlowski  
Mr. Fred A. Schuckman  
Mr. James Poloshian  
Mr. F. Michael Ahern
RESOLVED that the Commission for Higher Education, subject to its responsibilities contained in Section 10-324 of the General Statutes to make recommendations to the Governor and General Assembly on budgetary requests, approves the recommendation of the Board of Trustees for State Colleges that revenue bonds in the amount of $2.2 million be authorized by the 1972 General Assembly to permit the purchase of the Phase I Housing facilities at Eastern Connecticut State College.

[Signature]
Warren G. Hill, Chancellor
Commission for Higher Education

1/11/72
We are hereby requesting the inclusion in the bonding proposal to be submitted to the 1972 Session of the General Assembly of a self-liquidating item of $2,200,000 for the purpose of purchasing an apartment-dormitory building at Eastern Connecticut State College. This action has been recommended by the Commissioner of Public Works, authorized by the Board of Trustees for State Colleges and approved by the Commission for Higher Education.

This building, to house 360 students, was constructed under an arrangement whereby land was leased by the State to the contractor, who in turn has leased the building to the State with the option to buy the building under several different purchase plans, such option to be exercised within the first lease year. The least expensive plan, calling for purchase before September 1, 1972, would result in a saving of about $3,216,000 to State College students. This is the difference between a total thirty-year cost of $6,760,000 and a total immediate purchase cost of approximately $3,544,000. The latter is computed on a one-year rental of $189,000 plus self-liquidating bonding of $2,200,000 over twenty years at five percent ($1,155,000).

Unless the lease is to run its full thirty-year course, it is necessary that the lessor receive between June 1, 1972 and August 20, 1972, inclusive, a commitment from the State indicating its intention to exercise its option to purchase.

It should be noted that this request covers the first phase of a two-phase contract to provide housing for a total of 636 students, 276 included in the second phase. The initial purchase price for the second phase will be $1,685,000, due before January 1, 1974. In general, terms of this contract are the same as for the first phase. For each phase, initial expenditures result in a per student space cost of about $6,630.

In the interest of reducing the student financial load, we would appreciate your favorable consideration of this request.

Enclosed are copies of the lease, the affirmative actions of the Board of Trustees for State Colleges and the Commission for Higher Education and Commissioner Kozlowski's letter of November 3, 1971.

J. Eugene Smith
Executive Secretary

cc: President Webb
Commissioner Kozlowski
Chancellor Hill
Stuart Smith
James Poloshian
January 10, 1972

Chancellor Warren G. Hill  
Commission for Higher Education  
340 Capitol Avenue  
Hartford, Connecticut  06115

Dear Chancellor Hill:

ATT: Dr. W. R. Bokelman

Enclosed for CHE action is a copy of a resolution with related documents calling for the purchase of "Phase I, Apartment Housing" at Eastern Connecticut State College.

As stated in the resolution savings of over three million dollars would accrue to students if immediate purchase were arranged. If purchase were to be made at later periods the total of savings would be progressively reduced.

The favorable action of CHE is requested at this time in behalf of the Board of Trustees for State Colleges.

Sincerely,

J. Eugene Smith  
Executive Secretary

JES/b  
encl.
J. Eugene Smith,  
Executive Secretary  

Edward J. Kozlowski,  
Commissioner  

TO: J. Eugene Smith,  
Executive Secretary  

FROM: Edward J. Kozlowski,  
Commissioner  

SUBJECT: Option to Purchase - Student Housing, Eastern Connecticut State College, Willimantic, Connecticut

Reference is made to a lease effective September 1, 1971 between The Eastern Trust and the State of Connecticut in connection with "Phase I, Student Housing, Eastern Connecticut State College".

Your attention is directed to Paragraph 9 of said lease which contains an option to purchase at either a lump sum or by installment payments. It is apparent that it would be in the economic interest of the State to exercise its option to purchase for the lump sum of $2,200,000.00. This option must be exercised and payment tendered on or before September 1, 1972.

In order to accomplish this, it will be necessary for the Board of Trustees for State Colleges to initiate action so that a bonding appropriation for this purchase is obtained from the General Assembly.

Will you kindly take the necessary steps to see that legislation is initiated to accomplish this purchase.

Edward J. Kozlowski

cc: Chancellor Warren G. Hill  
Deputy Commissioner Paul J. Manafort  
Stanley Page  
Adm. File  
Lease File
Cost of paying rental and purchase price under various terms of lease agreement
(All lump sum payments are amortized with the expectation of twenty-year bonding at 5% interest)

**Thirty-year Rental** (option to purchase not taken)

<table>
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<th>Rental and Installments</th>
<th>Lump Sum</th>
<th>Interest</th>
<th>Total</th>
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<td>1st year</td>
<td>189,000</td>
<td>2,200,000</td>
<td>3,544,000</td>
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<td>-0-</td>
<td>6,760,000</td>
</tr>
</tbody>
</table>

*Includes first year rental of $189,000 plus applicable installments.*
August 26, 1971

Honorable Edward J. Kozlowski
Department of Public Works
State Office Building
Hartford, Connecticut

Dr. Eugene Smith
Board of Trustees for State Colleges
80 Pratt Street
Hartford, Connecticut

Gentlemen:

On August 24th I met with James Nugent, attorney for the DeMatteo interests and attempted to work out the redrafting required for the lease of "Phase I, Student Housing, Eastern Connecticut State College." At the conclusion of this session I informed Attorney Nugent that we would not enter into a lease with the Eastern Trust, that having examined the terms of the trust agreement I was concerned with the financial responsibility of the lessor. Further, regardless of the financial responsibility or lack thereof of the Eastern Trust, the agreement had been made with DeMatteo Construction Company and that we would deal only with DeMatteo Construction Company.

An examination of the terms of the lease discloses that the lease contains the following alternatives:

1. If the lease is allowed to run its full term of thirty years, the State will have paid $5,670,000.00 in rentals and must then purchase the building for $1,090,000.00, i.e. the State will have to spend
$6,760,000.00 for the combination of rental and purchase. This figure does not take into consideration the fact that the State will have to issue bonds for $1,090,000.00 and pay the interest thereon.

2. The lease permits the State to exercise the option to purchase at the end of the first lease year and to pay for the building in 118 quarterly installments, which vary from $49,500.00 to $56,250.00 per quarter (the mean average being $55,686.00 per quarter). The actual purchase cost in this instance is $6,571,000.00.

3. A third alternative permitted is to purchase the building at the end of the first lease year for $2,200,000.00. Using this method would require a bond issue, which based on recent bond issues would cost about 5½% per annum for interest. Thus the total cost using this method would be $2,200,000.00 principal and about $1,155,000.00 interest for the twenty years of the bond issue or a total cost of approximately $3,355,000.00. This method costs the State at least $3,200,000.00 less than the other alternatives presented in the lease.

I believe that serious consideration should be given to requesting the next session of the General Assembly to authorize a bond issue for the immediate purchase of the premises.

I shall continue to keep you apprised of my progress drafting this lease.

Very truly yours,

Robert K. Killian
Attorney General

By: Sidney D. Giber
Assistant Attorney General

SDG: cp
August 26, 1971

Honorable Edward J. Kozlowski
Department of Public Works
State Office Building
Hartford, Connecticut

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Board of Trustees for State Colleges
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