

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 10 – N

DATE: June 27-29, 2017

SUBJECT: SDSU South University Neighborhood Development Property Acquisitions

South Dakota State University requests Board of Regents’ authorization to acquire the improved residential property authorized in section 3 of [House Bill 1008](#) from the 2017 Legislative Session ([2017 S.D. Sess. Laws Ch. 83](#)).

At the [December 2016](#) meeting Board of Regents, the Board approved the introduction of legislation that became House Bill 1008, which authorized the Board of Regents to purchase real property on behalf of SDSU, including the following improved real property outlined in section 3 of the legislation:

- (1) Lots 1 through 10 inclusive, Block 2, Hillcrest Addition to the City of Brookings, Brookings County, South Dakota;
- (2) Lot 3, Block 1, Ways Addition to the City of Brookings, Brookings County, South Dakota;
- (3) Lot 9, Block 5, Randi Petersons Addition to the City of Brookings, Brookings County, South Dakota; and
- (4) The west 50 feet of Lot 10, Block 5, Randi Petersons Addition to the City of Brookings, Brookings County, South Dakota.

Section 4 of the legislation appropriated the sum of two million one hundred thirty-four thousand dollars (\$2,134,000) in other fund expenditure authority from sales and services, rentals, and grant and contract indirect recovery funds to the Board of Regents to purchase the real property.

Attachment I contains a map showing the properties to be acquired should the Board approve this item.

(Continued)

DRAFT MOTION 20170627_10-N: I move to authorize SDSU (1) to acquire the improved residential properties identified in this Board item, which were authorized in section 3 of House Bill 1008 from the 2017 Legislative Session (2017 S.D. Sess. Laws Ch. 83); and (2) to offer for sale any improvements contained on the properties, and to demolish any unsold improvements.

The following properties will be purchased with non-Revenue System funds but will be placed into the Revenue System:

- (1) Lots 1 through 10 inclusive, Block 2, Hillcrest Addition to the City of Brookings, Brookings County, South Dakota;
- (2) Lot 3, Block 1, Ways Addition to the City of Brookings, Brookings County, South Dakota;

The following properties will be purchased with non-Revenue System funds and will remain outside of the Revenue System:

- (3) Lot 9, Block 5, Randi Petersons Addition to the City of Brookings, Brookings County, South Dakota; and
- (4) The west 50 feet of Lot 10, Block 5, Randi Petersons Addition to the City of Brookings, Brookings County, South Dakota.

The improvements to the described real property include structures that must be removed to make way for the South University Neighborhood Development. However, some structures may serve a useful purpose as residences, garages or storage facilities and may be publicly offered for sale. While the structures do not have much value to SDSU when considering the cost of relocation or demolition, the benefit of offering them for sale is in the financial savings to SDSU in having the purchaser incur the costs of removing these structures versus having SDSU incur the costs of demolition. SDSU is also requesting Board of Regents approval to offer these structures for sale to be removed from the site or to remove the structures via demolition that are not suitable for re-use based on highest return calculation in accordance with [SDCL 13-51-12](#).

All acquisitions will be made in accordance with applicable law and [Board of Regents Policy 6:2](#) regarding acquisition of real property, which requires the following elements that are addressed after each element is identified:

- A. The certificate of the General Counsel that the proposed structure for the transaction conforms to the legal limitations on the Board's authority.

The General Counsel has reviewed the proposed structure for the transaction and is of the opinion that it conforms to the legal limitations on the Board's authority. The acquisition of these properties was authorized by [Chapter 83 of the 2017 South Dakota Sessions Laws](#).

- B. A statement of the business rationale for the acquisition referencing the land acquisition plan set forth in § 6:2(1) and identifying any additional actions or expenditures that shall be needed to make use of the property;

The acquisition of properties identified in (1) and (2) support objective 4 of SDSU's property purchase plan that was prepared on December 2, 2010, to square off the south side of campus, and would be part of the location for the South University Neighborhood Development (see Item 10.K).

The acquisition of properties identified in (3) and (4) support objective 5 of SDSU's property purchase plan that was prepared on December 2, 2010, to create a green buffer on the south side of 8th Street to enhance the campus image.

C. A report from an independent appraiser stating a fair market price for the property;

An independent appraisal was completed for each of the properties. The report is available from SDSU upon request.

D. An environmental audit report, including any action plan required to abate identified environmental hazards; and

All properties have had an environmental assessment completed with no hazardous material findings other than floor coverings that may contain asbestos, for which University trained personnel will mitigate. The report is available from SDSU upon request.

E. A financial plan and acquisition budget addressing (1) the land price; (2) incidental expenses and (3) costs for related improvements or services needed to make the property serviceable

(1) Seven of the properties are currently owned by the SDSU Foundation and will be purchased after the July 1, 2017 effective date of the legislation at a cost of \$1,161,000. The funding will come from University funds budgeted for property acquisition. The remaining six properties are in negotiation status with the funding to also come from University budgeted funds.

(2) The estimated cost for incidental expenses are:

- a. 50% of the title insurance costs, and
- b. Buyer agent fees, building inspections, property line survey and title insurance, which will total approximately \$3,000 for each property.

(3) The improvements to these properties will be removed. Disconnecting/capping the water and sewer lines will cost \$1,500 per property. Removal of the houses (including the basement) via demolition with landfill dumping fees on average cost \$10,000 per property. If the house is sold and removed, there would be an expected average savings of \$3,500 per house. Five of the improvements on these properties are candidates for sale or reuse. The maximum cost per property with demolition is estimated at \$11,500.



Parcel ID	405000050000900	Alternate ID	n/a	Owner Address	SOUTH DAKOTA STATE UNIVERSITY
Sec/Twp/Rng	--	Class	NAD		FOUNDATION
Property Address	1116 8TH ST BROOKINGS	Acreeage	n/a		815 MEDARY AVE BOX 525 BROOKINGS SD 57006
District	4001				
Brief Tax Description	RANDI PETERSONS ADDN, W 50' OF LOTS 9 & 10, BLK 5 50 X 100 <i>(Note: Not to be used on legal documents)</i>				

1. Lot 3, Block 1, Ways Addition
2. Lots 1-10, Block 2, Hillcrest Addition
3. Lot 9, Block 5, Randi Peterson's Addition
4. W 50' of Lot 10, Block 5, Randi Peterson's Addition