

**SOUTH DAKOTA BOARD OF REGENTS**

**Planning and Resource Development**

**AGENDA ITEM: 5 - N**  
**DATE: October 3-5, 2017**

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**SUBJECT**

**USD Discovery District Master Ground Lease**

**PERTINENT HISTORY**

The Board of Regents (the “Board”) entered into a Master Ground Lease with the USD Research Park, Inc. (“USD Discovery District”) dated June 20, 2013 for the operation of a research park on 80 acres of state land in Sioux Falls, which was approved at its [June 2013 meeting](#). The Board subsequently approved amending the Master Ground Lease at its [December 2015 meeting](#), and the Amended and Restated Master Ground Lease Agreement was executed on April 15, 2016 (“Master Ground Lease”).

**CONTROLLING STATUTE, RULE, OR POLICY**

SDCL [chapter 5-29](#) governs the operation of research parks on state lands in general.

**BACKGROUND/DISCUSSION**

As noted above, the Master Ground Lease was previously amended by the Board at its [December 2015 meeting](#). At that time a number issues were addressed, some of which were specifically tied to ensuring the lease was “marketable” to prospective tenants and aligned with current best practices of research parks across the country. While the amendments addressed the aspects of concern known at that time, it was foreseeable that additional issues may be identified when working through the first agreement with a developer, causing the need for subsequent amendment(s) to the Master Ground Lease. The USD Discovery District has commenced negotiations with Tetrad regarding its construction of the first building at the research park, and as part of that process, Tetrad has identified language in the Master Ground Lease that is problematic and incompatible with their operations.

The parties are currently engaged in a detailed review of the Master Ground Lease to ensure all areas of potential concern are identified and can be addressed, as appropriate, in one fell swoop. That review is anticipated to be completed in advance of the Board’s October meeting, at which time this item will be updated to include the recommended modifications to the Master Ground Lease as Attachment I.

**IMPACT AND RECOMMENDATION**

The provisions of the Master Ground Lease not only provide the framework for the operations of the Research Park and the obligations of the Board and the USD Discovery

(Continued)

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**DRAFT MOTION 20171003\_5-N:**

I move to approve the proposed amendment(s) to the Master Ground Lease set forth in Attachment I and grant the Executive Director the authority to finalize and execute an amended Master Ground Lease consistent therewith.

District, but they also effect the obligations and responsibilities of prospective tenants. As such, it's imperative that the Master Ground Lease not only address the pertinent aspects of the relationship between the Board and the USD Discovery District, but it must also not unnecessarily interfere with industry practices/standards of prospective tenants. In working through the agreement with the first developer, Tetrad Property Group ("Tetrad"), issues of concern have been identified in the Master Ground Lease that will need adjustment if the USD Discovery District is to move forward with the developer.

**ATTACHMENT(S)**

Attachment I will be added in advance of the meeting and will include the recommended amendment(s) to the Master Ground Lease.