

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 9 – I**  
**DATE: June 26-28, 2018**

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**SUBJECT**

**SDSU Property Acquisitions**

**CONTROLLING STATUTE, RULE, OR POLICY**

[BOR Policy 6:2](#) Acquisition and Disposal of Real Property

**BACKGROUND / DISCUSSION**

South Dakota State University requests Board of Regents’ authorization to acquire three (3) properties from the SDSU Foundation from housing and auxiliaries facilities system (“Revenue System”) funds. The properties are as follows:

**Garden Square Property**

This property is located in a development know as Garden Square and is identified as:

Address: 1811 8<sup>th</sup> Street  
Unit 1811-A  
Brookings, SD.  
Purchase Price: \$142,900.

At the June 2016 Board of Regents meeting, authorization was granted to acquire nine (9) properties located in the Garden Square development. At the June 2017 Board of Regents meeting, authorization was granted to acquire three (3) additional properties located in the Garden Square development. The acquisition of Garden Square properties is consistent with SDSU property purchase plans of 1991 and 2003, and the most recent plan submitted on March 31, 2011. The previously acquired Garden Square properties have been placed into the revenue system.

**Southeast Neighborhood Housing Development Property**

The following two properties are located on 7<sup>th</sup> Street and will become part of the area on which the Southeast Neighborhood Housing Development construction will take place:

Address: 1451 7<sup>th</sup> Street  
Brookings, SD  
Purchase Price: \$165,000.

(Continued)

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**DRAFT MOTION 20180626\_9-I:**

I move to authorize SDSU to acquire three properties from the SDSU Foundation using housing and auxiliary revenue funds: (1) 1811 8<sup>th</sup> Street, Unit 1811-A, which is part of the Garden Square development, and (2) 1451 7<sup>th</sup> Street, and (3) 1443 7<sup>th</sup> Street, both of which are located on 7<sup>th</sup> street where the Southeast Neighborhood Housing project will be constructed.

Address: 1443 7<sup>th</sup> Street  
Brookings, SD  
Purchase Price: \$191,000.

At the June 2017 Board of Regents meeting, authorization was granted to acquire the 13 improved residential properties authorized in section 3 of HB1008 from the 2017 Legislative session for a total of \$2,134,000. Eleven of the properties have been purchased and the dollar limit has been reached. To acquire the last two, which are part of the Auxiliary Revenue System, they will be purchased with revenue system funds and placed in the Auxiliary System. The Board has full authority to buy properties that are part of the Auxiliary System. These properties are part of the SE Neighborhood Redevelopment project.

### **IMPACT AND RECOMMENDATIONS**

The 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 Board has ongoing legislative authority under SDCL 13-51A-2 to acquire, own, operate, maintain, and dispose of revenue producing buildings, structures, and facilities in or for the revenue system; therefore, no additional legislative authorization is needed for these acquisitions.

- B. A statement of the business rationale for the acquisition referencing the land acquisition plan set forth in 6:3(1) and identifying any additional actions or expenditures that shall be needed to make use of the property;

The acquisition of the Garden Square property supports objective 2 of SDSU's property purchase plan that was prepared on December 2, 2010, to replace married student apartments with denser and newer family units, which will improve land usage.

The acquisition of the Southeast Neighborhood Housing Development properties 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 become part of the location for the Southeast Neighborhood Housing Development.

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

Independent appraisals were completed for the properties. The reports are 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 reports are 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) The cost of the Garden Square property is \$142,900. The cost of the Southeast Neighborhood Housing Development properties is \$356,000.

(2) The estimated cost for miscellaneous expenses are:

a. 50% of title insurance costs

b. Buyer agent realtor's fees of 2% of the purchase price

(3) No improvements are necessary for the Garden Square property. The house on the property located at 1451 7<sup>th</sup> Street will be removed at an estimated cost of \$8,000. The house on the property located at 1443 7<sup>th</sup> Street will be demolished at an estimated cost of \$11,500.

## **ATTACHMENTS**

None