

SOUTH DAKOTA BOARD OF REGENTS

Budget and Finance

AGENDA ITEM: 6 – E
DATE: October 2-4, 2018

SUBJECT

DSU Housing Acquisition

CONTROLLING STATUTE, RULE, OR POLICY

[BOR Policy 6:2](#) Acquisition and Disposal of Real Property
[SDCL 13-51A-2](#) Power to Acquire Property

BACKGROUND / DISCUSSION

Dakota State University requests Board of Regents’ authorization to acquire a property from the St. Thomas Aquinas Catholic Church from housing and auxiliary facilities system (Revenue System) funds. The property is near campus and is identified as follows:

Address: 321 N. Van Eps Avenue
 Madison, SD 57042
Purchase Price: \$189,000

The property is southwest of the DSU campus. While not adjacent to the current main campus, the property is within a desirable proximity of the new Madison Cyber Labs building and downtown Madison. The facility is currently used by the church to house some DSU students, office space, and other activity space.

DSU plans to renovate the building, providing additional student housing that will be available for the fall 2019 semester. The preliminary estimate is 18 beds with a combination of single and double rooms.

IMPACT AND RECOMMENDATIONS

The acquisition 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;

(Continued)

DRAFT MOTION 20181002_6-E:

I move to authorize DSU to acquire the property located at 321 N. Van Eps, Madison, from the St. Thomas Aquinas Catholic Church using housing and auxiliary revenue funds and to place it into the revenue system.

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 this acquisition.

- 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 will allow DSU to provide additional housing and a different style of housing. The estimated cost per bed (all in cost – purchase and renovation) is substantially less than building new and the pro forma with very conservative estimates shows a positive cash flow. The location is not immediately adjacent to campus, but the university believes that will not be a concern as it is still close enough to the main campus and is attractive due to proximity to downtown.

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

An independent appraisal was completed for the property. The appraised value is \$195,000. The full report is available from DSU upon request.

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

The property has had an environmental assessment completed. No lead-based paint was identified. Materials identified as asbestos containing were: spray on ceiling, plaster ceiling in the boiler room, flue insulation (of former boiler), packed pipe fittings, mastic of 1'x1' ceiling/wall tiles, and insulation in 4 of 6 types of light fixtures. University trained personnel or external contractors will mitigate these in the renovation of the facility. The report is available from DSU 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 need to make the property serviceable.

(1) The cost of the property is \$189,000.

(2) The estimated cost for miscellaneous expenses are:

- a) 50% of title insurance costs and transfer fee
- b) Buyer agent fee
- c) Environmental assessment costs were funded through a Brownsfields Fund grant (no cost to the university)

- d) Appraisal fee of \$895
- (3) Improvements to the property will be needed to update to a modern residence hall environment. An estimate of \$100,000 of improvements has been used for budgeting purposes, which will include abatement, restroom and shower improvements, kitchen remodel, and room refinishing. Abatement costs may be negotiated with the seller if deemed significant (reduction in price). Furniture, fixtures and equipment budget of \$3000 per bed has been used as an estimate, with 18 beds for a total of \$54,000.

Financial Plan and Acquisition Budget:

Facility Costs:

Purchase Price	\$189,000	
Improvements	\$100,000	
Misc. Costs	\$2,000	
Total Facility Costs:		\$291,000

Furnishings cost:

Cost per bed	\$3,000	
# of Beds	x 18	
Total Furnishing Costs		\$54,000
Total Investment - Facility & Furnishings		\$345,000

Total Investment Per Bed \$19,167

ATTACHMENTS

None