

SOUTH DAKOTA BOARD OF REGENTS

Full Board

AGENDA ITEM: 3
DATE: February 15, 2019

SUBJECT

South Dakota School for the Deaf Renovation

CONTROLLING STATUTE, RULE, OR POLICY

- [Chapter 111 of the 2018 Session Laws](#)
- [BOR Policy 5:19 - System Funding](#)
- [BOR Policy 6:4 - Capital Improvements](#)
- [BOR Policy 6:5 - Building Committees](#)

BACKGROUND / DISCUSSION

The Board received and approved the report and recommendations of the SDSD Task Force at its [December 2017 meeting](#). Subsequently, during the 2018 Legislative Session, [HB 1064](#) was approved and signed into law by Governor Dugaard ([Chapter 111 of the 2018 Session Laws](#)), which provides a myriad of options pertaining to the South Dakota School for the Deaf (SDSD) Property.

After an extensive search for suitable properties for the SDSD, which included two failed attempts at selling the existing SDSD property and acquiring an alternate property, the best course of action for all parties involved is to sell the extraneous SDSD land (i.e., track and football field), which was appraised at \$1,778,000 in July of 2017, and renovate the existing SDSD building(s) to better accommodate the SDSD and additional tenants, to include approximately 23,000 sq. ft. for the Department of Health, which is consistent with one of the options outlined in the 2017 SDSD Task Force Report (Attachment I to the December 2017 agenda item linked above). The specifics of the lease agreement with the Department of Health will be solidified once the renovation plan/budget is established, but it is anticipated that the original lease term will be ten (10) years, with two optional five (5) year renewals terms.

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DRAFT MOTION 20190215_3:

I move to approve the use of the Board’s reserve funds to provide interim financing for the renovation of the SDSD facility, to be repaid from the proceeds from the sale of the extraneous SDSD land, and further approve proceeding with all actions necessary and appropriate to accommodate the renovation, lease and sale contemplated herein.

The timeline associated with the sale/renovation and the Department of Health's occupancy do not allow adequate time to work through the process of selling the extraneous land before starting the renovation, which causes a cash flow issue. Consequently, approval is being sought to use a portion (up to but not to exceed \$1.7M) of the Board's reserve funds (approximately \$3M) to provide for the interim financing of the renovations, which will be repaid from either the Department of Health, or a combination of the Department of Health and the proceeds of the land sale.

Section 3 of HB1064 authorizes the sale of the relevant property by way of public auction or sealed bids, with the proceeds of the sale to be deposited into the real property acquisition and capital improvement fund for the South Dakota School for the Deaf, as provided in §§ 5-2-2.1 to 5-2-2.3, inclusive. Sections 6 and 7 of HB1064 authorize the Board of Regents to undertake renovations to the facilities as required to enhance the operations of the SDSD and/or to adapt for commercial leasing portions of the facilities not used by the SDSD, to include the appropriation of the aforementioned funds to the Board of Regents for such purposes. The renovation and repayment of the interim financing from the SDSD land sale proceeds is consistent with the authorization contained in HB1064.

The Office of the State Engineer has been engaged throughout the process that has unfolded to date. Once the initial planning is complete and the renovation plan/budget known, the determination will be made as to whether or not a building committee pursuant to BOR Policy 6:5 will be necessary. If the renovation costs will exceed \$1.5M a building committee will be formed and the procedures set forth in BOR Policy 6:4 and 6:5 will be followed.

IMPACT AND RECOMMENDATION

Providing interim financing from the Board's reserve fund, to be repaid from the proceeds of the sale of the extraneous SDSD land, will allow the renovation to proceed on a timeline that will accommodate the needs of the Department of Health.

Staff recommends approval.

ATTACHMENT

None