

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 10 – E**

**DATE: June 22-23, 2022**

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**SUBJECT**

**South Dakota Mines Building Acquisition – Incubator Building**

**CONTROLLING STATUTE, RULE, OR POLICY**

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

**BACKGROUND / DISCUSSION**

South Dakota Mines (Mines) requests Board of Regents’ authorization to purchase the Ascent Incubator Building (Incubator Building) from Elevate Rapid City (Elevate RC). The acquisition was approved by the 2022 Legislature in [SB 97](#), which contained an emergency clause, and was signed by the Governor on March 24, 2022. The bill authorized the Board of Regents to acquire, on behalf of the South Dakota School of Mines and Technology, the incubator building located on the campus of Mines, at the purchase price of up to \$5,250,000, but not to exceed the appraised value of the building.

The foregoing acquisition will be made in accordance with applicable law. The necessary element of BOR Policy 6:2 include:

**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. Senate Bill 97 was approved by the 2022 Legislature and signed by the Governor on March 24, 2022, authorizing the purchase of the Incubator Building.

**B. A statement of the business rationale for the transaction, including a discussion of the effects of the conveyance on current operations and on plans made pursuant to BOR Policies 6:1 and 6:2.**

Elevate RC built the Incubator Building in 2004 on the campus of Mines, which was the subject of a 50-year land lease with the Board/Mines. The Incubator Building has since graduated 25 companies from startups into commercial spaces, creating over 400 jobs in the Black Hills region. Elevate RC capitalized on its momentum and constructed the new

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**DRAFT MOTION 20220622\_10-E:**

I move to approve the acquisition of the Incubator Building located on the campus of South Dakota Mines, as presented, which was authorized by Senate Bill 97 during the 2022 Legislative Session.

David Lust Accelerator Building near the Mines campus to continue to foster economic innovation in Western South Dakota. With Elevate RC moving to its new location, Mines was able to accelerate its planned acquisition of the Incubator Building, which will provide much needed research space for Mines.

**C. A report from an independent appraiser stating the fair market value of the interest to be conveyed.**

An appraisal was prepared for Elevate RC in August 2020. At that time, the only methodology that was deemed appropriate for this building was the Cost Approach, which yielded a final value opinion of \$6,020,000. The report appraisal is available from Mines upon request.

**D. For transaction conveying title or control of Board property, except conveyance for highway purposes, an environmental audit report including any action plan required to remove Board liability for identified environmental hazards.**

BOR owns the land on which the Incubator Building is located, and as a result, Mines requests the Board waive the requirement in policy for an environmental audit. Mines did have a Property Condition Assessment (e.g., inspection) conducted by Advantage Environmental Consultants (AEC) to assess the state of the building, which was completed on May 4, 2022. This included a visual, non-intrusive and nondestructive evaluation of various external and internal building components, including the foundation, structural frames, building envelopes, HVAC, electrical, and plumbing. The inspection also included ancillary items such as site drainage, pavement, sidewalks, and landscaping. The site was observed to be in generally good condition. AEC identified the following deficiency that would require immediate attention: Separation was observed along the perimeter walls near window spaces. They requested that a structural engineer inspect the building. Albertson Engineering was retained to do a structural review of the building. They found no evidence of any major structural concern with the building. The inspection report is available from Mines upon request.

**E. A financial plan identifying costs associated with the transaction, funding sources, and disposition of the proceeds.**

The 2022 Legislature appropriated \$5,250,000 from the general fund to purchase the Incubator Building. Elevate RC has agreed to this purchase price and, once the Board has approved the acquisition, a purchase agreement and title transfer document will be drawn up between Elevate RC and Mines, subject to the approval of the BOR General Counsel.

The Legislature also authorized \$2,000,000 in other fund expenditure authority for any renovations that will need to be made.

The estimated annual operating costs of the Incubator Building are \$55,000, which will be paid with research overhead and tenant income. There is a very likely chance that WAPA will add the electricity needs of this building to their Mines Loop, which may significantly reduce our electricity costs.

**IMPACT AND RECOMMENDATIONS**

The proposed acquisition will allow Mines to expand its research, office and incubator capacity by 40,000 sq ft, of which 29,000 sq ft will be used for research and incubator space and 11,000 sq ft will be used for office space. This is critically needed space that will greatly enhance research and commercialization capacity at Mines.

Staff recommends approval.

**ATTACHMENTS**

None