

**SOUTH DAKOTA BOARD OF REGENTS**

**Budget and Finance**

**AGENDA ITEM: 10 – H**

**DATE: June 28-30, 2016**

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**SUBJECT: South Dakota State University Revenue System Property Sale and Purchase**

South Dakota State University requests Board of Regents authorization to sell property currently held by the housing and auxiliary operation at SDSU and to buy nine properties that would become part of the housing and auxiliary operation. The purchase is consistent with the SDSU property purchase plans of 1991 and 2003, and the most recent plan submitted on March 31, 2011. All transactions will be based on current appraisals or actual purchase price transactions, whichever is less. Environmental assessments have been conducted on the property being purchased with no report of hazardous material that cannot be mitigated by university facilities and services.

Because 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, no additional legislative authorization is needed for this transaction.

**Sale of Improved Property and Adjacent Lot**

The first request is to sell an improved property and adjacent lot appraised for \$459,000 located at 727 14<sup>th</sup> Avenue described as lots 9 and 10, Block 2, Thornber’s Addition, City of Brookings, Brookings County, SD. The property is a part of the Revenue System. The property will be sold to the SDSU Foundation.

The proposed sale involves property that was purchased and placed in the BOR Revenue System in 2011. The objective is to keep the Revenue System whole, so all funds from the sale will go into the Revenue System. The property to be sold is obsolete because boarding housing permits are no longer approved by the city. SDSU is doing its share in discontinuing the use of

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**DRAFT MOTION 20160628\_10-H:** I move to approve the authorization of SDSU to sell the property located at 727 14<sup>th</sup> Avenue described as lots 9 and 10, Block 2, Thornbers Addition, City of Brookings, Brookings County, SD at a price of \$459,000; and to purchase Garden Square Addition Units 1706 A, 1708 B, 1710 C, 1727 C, 1743 A-R, 1745 B-R, 1746 B, 1750 C, and 1815 BR, all in Garden Square Addition, City of Brookings, Brookings County, SD for \$1,110,000 plus incidental costs not to exceed \$25,000 related to these property purchases. This authorization requires that all purchased properties be placed into the University’s Institutional Housing and Auxiliary Facilities Revenue System.

facilities that once were licensed as boarding houses. Additionally, boarding houses are a source of parking issues near campus as they may have as many as 8 or 10 tenants in a house. This property has been a rental for many years and requires continuous investments to keep it up to the standards that SDSU has for rentals.

The proceeds from property sales will be placed in the Institutional Housing and Auxiliary Facilities System Repair and Replacement Reserve Account (“RRR”).

### **Purchase of Improved Property**

The proposed purchase involves nine parcels, all located in a development known as Garden Square which has been a part of the property acquisition plan since 1991. These expenditures and properties will benefit the housing and auxiliary operation of SDSU and the BOR Revenue System.

The properties are described as: Garden Square Addition Units 1706 A, 1708 B, 1710 C, 1727 C, 1743 A-R, 1745 BR, 1746 B, 1750 C, and 1815 BR all in Garden Square Addition, City of Brookings, Brookings County, SD.

The properties will be purchased from the SDSU Foundation. The total to be paid to the SDSU Foundation is based on the lesser of appraisal or purchase price paid by the SDSU Foundation, which was \$1,110,000. Additional costs for appraisal and miscellaneous closing costs are estimated at an additional \$25,000, for a total potential cost to the Revenue System of \$1,135,000.

These properties will be used for student housing with priority given to family student housing or for faculty guest housing. This purchase will be made from available cash resources in the RRR.

The flow of funds from the property sale and purchase follows:

Sale of 727 14 <sup>th</sup> Avenue property and Adjacent Lot into RRR	\$459,000
Unspent Interest Earned on 2011 Series	\$50,000
RRR Funds cash	<u>\$626,000</u>
Available for Property Purchase	\$1,135,000
Purchase of Garden Square Units from Foundation	(\$1,110,000)
Appraisal and Closing Costs	<u>(\$25,000)</u>
Expended for Property Purchase	(\$1,135,000)

A resolution for placing these properties into the Revenue System will be acted upon when approving the next bond issue tentatively scheduled for October 2016. All net operating revenues will accrue to the Revenue System. SDSU is also committing \$626,000 of institutional funds to support reaching the 2% goal for maintenance and repair within the Revenue System.