

January 15, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Utah Valley University – Purchase of Geneva Steel Property

Issue

Utah Valley University (UVU) has requested approval to purchase 125 acres of real property located at the old Geneva Steel Site in Vineyard, Utah. It is 2.3 miles from the UVU main campus. The option to acquire this property expires on April 15, 2014.

Background

The location of the property is shown on the attached map (shaded in green and designated as “UVU UNDER CONTRACT”) and is divided into two parcels for purchase at different times:

Parcel 1 – This parcel consists of 92 acres (see attachment) that are contiguous to the property acquired by UVU in 2010 (designated as “UVU SOLD” on the map) and will be the location of a future Front Runner station. The cost of this parcel is \$10,018,800 (\$2.50 per square foot). Funding committed for purchase of this parcel is as follows:

Proceeds from a prior land sale to UTA	\$2,776,614
Loan from the UVU Foundation	6,012,783
Donated Funds	<u>1,229,403</u>
Total	\$10,018,800

University operating funds will be committed to repay the \$6,012,783 loan from the foundation over 20 years at 5.5 percent interest resulting in an annual payment of \$496,334.04.

This parcel has been mitigated for environmental quality and is available for immediate purchase.

Parcel 2 – This parcel consists of 33 acres (see attachment) and needs additional environmental and other mitigation prior to the purchase. The proposed contract provides a window for purchase within three years and not to exceed four years subject to receipt of certification that the environmental mitigation has been accomplished. This parcel would then be purchased for \$3,593,700 (\$2.50 per square foot). The source of funding for this parcel has not been formally determined.

The University is currently soliciting donated funds for the purchase of this project. Funds received from this effort will be used to reduce/repay the loan from the Foundation and for purchase of the second parcel pending the amount of donated funds received.

The commercial real estate appraisal values the property at \$4.40 per square foot, which is well above the \$2.50 per square foot price to be paid. Anderson Geneva Development, Inc., the owner of the property, will receive a tax deduction for the donated value of the property.

Copies of the UVU request letter, maps showing the location of the property, and the real estate appraisal are attached for your review. Officials from the University will be present to provide additional information as needed and to respond to questions from the Board.

Commissioner's Recommendation

The Commissioner recommends approval of the purchase of Parcels 1 and 2 of this property as proposed with the following additional stipulations:

- a. The property is mitigated to a minimum commercial standard.
- b. Completion of a Phase 1 environmental assessment for each of the two parcels.
- c. Receipt of a Letter of Assurance from the Utah Department of Environmental Quality for each of the two parcels certifying that environmental issues have been mitigated.
- d. Disclosure of the sources of funding for the purchase of Parcel 2.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/WRH
Attachment



UTAH VALLEY UNIVERSITY

VICE PRESIDENT *for* FINANCE & ADMINISTRATION

January 6, 2014

Commissioner David Buhler
Utah System of Higher Education
Board of Regent Building
The Gateway
60 SOUTH 400 WEST
SALT LAKE CITY UT 84101

Dear Commissioner Buhler,

Utah Valley University is requesting approval to purchase 125 acres in real property located @Geneva (the old Geneva Steel Site) in Vineyard. The piece of property is located 2.3 miles from the Utah Valley University Main Campus. The option to purchase 130 acres of real property is set to expire April 15, 2014. This property purchase contract has two parts with the 125 acres divided into two parcels for purchase at different intervals.

Sale A

The first parcel is 92 acres (Exhibit A) at \$2.50 a square foot for a purchase price of \$10,018,800 which would be executed after approval of the Utah Valley University Board of Trustees and the Utah State Board of Regents. Parcel 1 is contiguous to the piece of property which was acquired by Utah Valley University in 2010 and will be connected by an underpass. This parcel will be the location of a future Front Runner Station.

Sale B

The second parcel is 33 acres of real property that needs additional environmental cleanup prior to purchase. The contract stipulates the University will purchase the property within three years, and no more than four years, if the property has been mitigated and received a letter of assurance from the Division of Environmental Quality. This piece of property would be acquired at \$2.50 per square foot for a cost of \$3,593,700.

The initial \$10,018,800 purchase will be financed through the following sources:

\$2,776,614 – Proceeds from a prior land sale to UTA
\$6,012,783 – Loan from the UVU Foundation
\$1,229,403 – Donated Funds

\$10,018,800 – Total

The loan from the foundation would be for \$6,012,783 for 20 years at 5.5 percent interest resulting in an annual payment of \$496,334.04 to be paid from University operating funds. The University will continue to fundraise in order to facilitate the purchase of Parcel B.

Final purchase of each parcel requires:

- a) the property be mitigated to a minimum of a commercial standard;
- b) a Letter of Assurance must be issued by the Utah Department of Environmental Quality prior to closing on the property;
- c) completion of a Phase I environmental assessment of the property;
- d) completion of a commercial real estate appraisal;
- e) The University is purchasing the property for approximately half of fair market value. Anderson/Geneva will receive a tax deduction for the other half of the property purchase.

The University is currently soliciting funds for this project. If funds are received, the University will reduce the amount of the loan from the UVU foundation. Thank you for your consideration of this real property proposal. If you have any questions please contact me at (801)863-8424 or email at Petersva@uvu.edu.

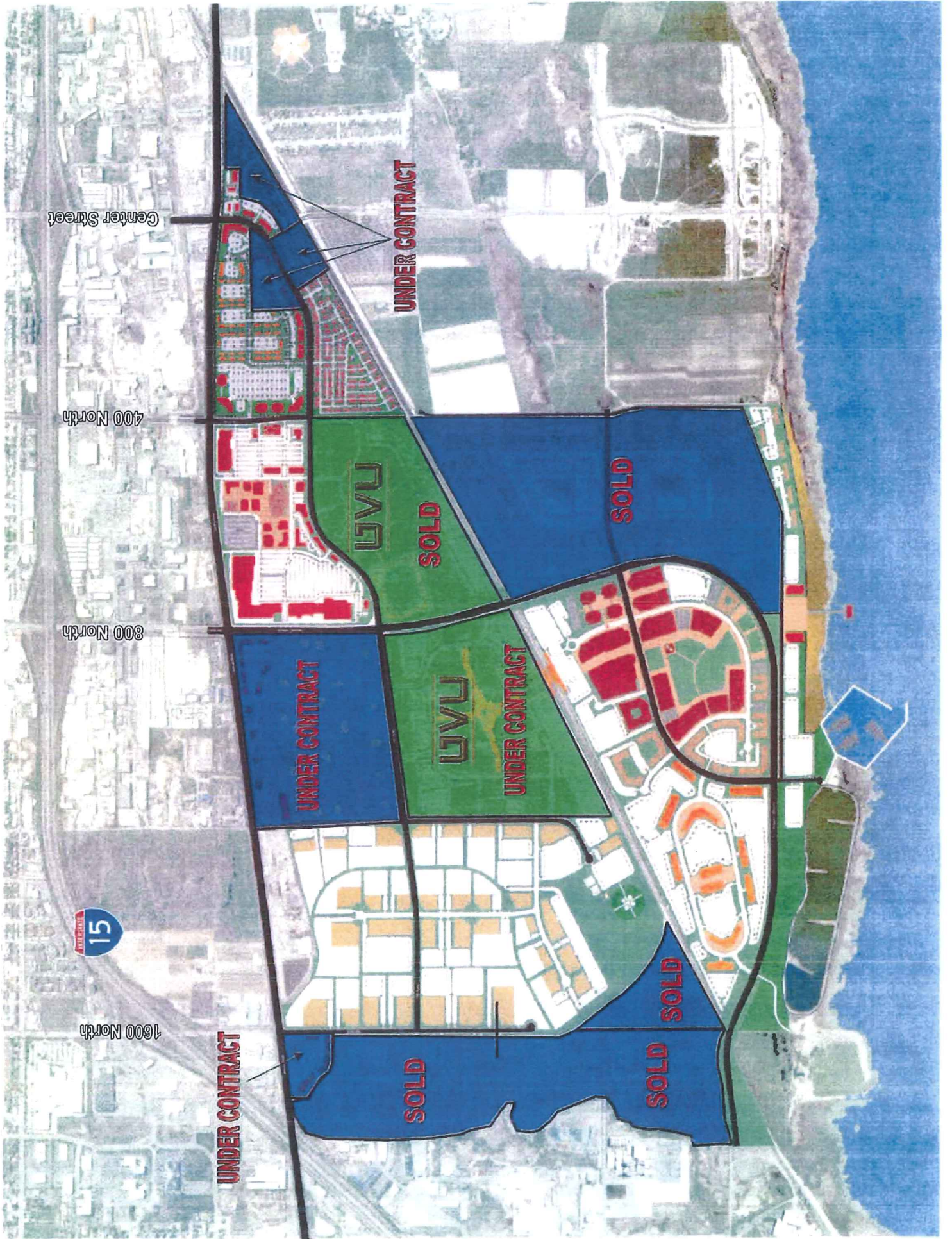
Sincerely,



Val L. Peterson
Vice President
Finance and Administration

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Attachment: Anderson Geneva Maps





CURVE TABLE

CURVE LENGTH	RADIUS	CHORD DIST.	CHORD BEG.	DELTA
C1	100.00	100.00	0+00.00	90.00
C2	100.00	100.00	0+100.00	90.00
C3	100.00	100.00	0+200.00	90.00
C4	100.00	100.00	0+300.00	90.00

<p>Anderson Geneva Development, Inc.</p> <p>1040 E. 800 N. OREM, UTAH 84097 (801) 802-8982</p> <p>Northern Engineering Inc ENGINEERING-LAND PLANNING CONSTRUCTION MANAGEMENT</p>	<p>MILL ROAD UTV1 PARCEL 32 ACRE OPTION VINEYARD, UTAH</p>	<p>JOB NO. 3-07-045-00</p> <p>SHEET NO. 1</p>
	<p>DATE: _____</p> <p>SCALE: _____</p> <p>PROJECT: _____</p> <p>CLIENT: _____</p> <p>DESIGNER: _____</p> <p>CHECKER: _____</p> <p>DATE: _____</p>	

APPRAISAL REPORT

92.38 Acres with Mixed Use Potential
Appx. 800 North Mill Road
Vineyard, Utah 84057



GURNEY & ASSOCIATES REAL ESTATE APPRAISERS

Phone: 801.610.9555 • 45 N. 490 W. (Cypress Park), American Fork, Utah 84003 • Fax: 801.763.5992



Don Gurney
Todd Gurney
Tyler Gurney

January 7, 2014

Utah Valley University
Attn: Val Peterson
800 W. University Parkway
Orem, Utah 84058

**RE: 92.38 Acres with Mixed Use Potential
Appx. 800 North Mill Road
Vineyard, Utah 84057**

Dear Mr. Peterson:

At your request, we have performed an appraisal analysis of the above-referenced real estate; it is zoned I-1 Industrial but it is master-planned for commercial and high-density residential uses. The subject is currently recorded as a portion of parcel 17-019-036 on Utah County records; the subject is identified on the Survey Map and the other exhibits of this report. This appraisal provides an estimate of the current as-is market value. The property rights appraised are fee simple.

Based on the results of our analysis, we estimate the market value of the subject property, as of the effective appraisal date (January 4, 2014), to be *\$4.40 per sq. ft. of land*, or the following rounded total:

\$17,700,000

**** SEVENTEEN MILLION SEVEN HUNDRED THOUSAND DOLLARS ****


This value is contingent upon the Extraordinary Assumptions on pages 7-8 of this report.

Based on our research and analysis, we have concluded that the estimated exposure time to achieve the value estimated herein is approximately 12 months. The probable marketing time is up to 12 months as well.

Please find attached the documentation and supportive exhibits that comprise the appraisal report. The appraisal report was prepared in accordance with the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation. This is a *Summary Appraisal Report*.

Please advise if we can be of any further assistance.

Respectfully submitted,



DON GURNEY

Utah State Certified General Appraiser
Certificate 5476828-CG00 Expires 6-30-15



TODD GURNEY

Utah State Certified General Appraiser
Certificate 5487768-CG00 Expires 7-31-14

File 25814

Attachments:

- Narrative Summary Report
- Location Map
- Vineyard Zone Map
- Vineyard General Plan Map
- Aerial View
- Site Plans
- Plat Map
- Parcel Map
- Survey Map
- Current Subject Photos
- Executive Summary—Phase I Environmental Assessment
- Environmental Letter from Anderson Geneva
- Appraisal Purchase Order
- Appraiser Qualifications

Defining the Appraisal

Property Appraised	92.38 Acres with Mixed Use Potential Appx. 800 North Mill Road, Vineyard, Utah 84057	
Client/Owner	Utah Valley University (Attn: Val Peterson)	
Appraisers	Don Gurney (5476828-CG00) and Todd Gurney (5487768-CG00)	
Property Interest	Fee simple	
Competency Provision	We have the necessary education and experience to appraise the subject competently. See attached <i>Appraiser Qualifications</i> pages.	
Type and Definition of Value	This appraisal determines the as-is market value of the subject. The market value definition is included later herein.	
Intended Use/User of the Appraisal	This appraisal is to assist the client in ascertaining the value of the subject for possible acquisition purposes. The intended user of the report is the client: Utah Valley University.	
Exposure and Marketing Time	The exposure time is approximately 12 months. The estimated marketing time is also about 12 months.	
Appraisal Dates	Date of Inspection	January 4, 2014
	Date of Report	January 7, 2014
	Effective Appraisal Date	January 4, 2014

Extraordinary Assumptions

The following extraordinary assumptions (continued on the following page) apply in this analysis. These are items we believe to be true but cannot verify. Should any of these assumptions be proven false, then the value conclusions of this report would likely change.

1. The subject site was formerly part of the large Geneva Steel mill operation. Significant environmental contamination occurred on the subject site and other adjoining properties as part of this operation. We have reviewed a Phase I Environmental Site Assessment for the subject property prepared by Earthtec Engineering; the Executive Summary for such is included in the Addendum section of this report. The Phase I Environmental Site Assessment notes that there have been many environmental risks associated with the subject property; however, we understand and assume that many of these risks have been mitigated by the current owner.

Gerald Anderson, the property seller, reports that the subject site has been cleaned up environmentally (with any small remaining work needed to be done prior to closing); this is essentially reiterated in an Environmental Letter from Anderson Geneva also in the Addendum. We assume that this is correct for purposes of this appraisal. We understand that one of the conditions of the pending purchase will be that the seller obtains enforceable written assurances from the Utah Department of Environmental Quality (DEQ) that will eliminate any liability to UVU (the buyer) for previous activities on the property; we assume that such DEQ assurances will indeed be in place very soon.

We are not experts in environmental issues. There are concrete piles on the site that need to be removed, along with some dirt mounds. There are also some foundations for former building improvements on the property. Don Overson, Vineyard Town Engineer, reports that these foundations can likely be left in place when future development occurs (with new structures built on top) because it would not be economically feasible to remove some of them; this strategy has already reportedly been implemented in the case of Mill Road, which was partially built over a former building foundation. We assume that this input is correct. Overson notes, though, that some cuts in the existing building foundations may be needed in order to extend utilities through the subject site if the foundations are not removed. Should a significant amount of additional environmental work be needed at the proposed buyer's expense, the as-is value of this report would likely differ. The future site development costs to the buyer in relation to the concrete/dirt mounds and existing building foundations are anticipated and assumed to be fairly expensive but not excessive in terms of future project viability.

2. We assume that the land size of 92.38 acres shown on the Survey Map is accurate. No legal description was provided for our review; however, we assume that the subject is accurately identified on the Survey Map and the other exhibits of this report.

3. A title report was not provided for our review. We assume that no significant adverse title or easement issues exist. The Survey Map shows a few 40-foot-wide accesses through the subject property, but these don't appear measurably adverse for a property of this large size and type. Mill Road also has easements (for half of the width of the road) at the far east end, but these also are not a detriment to the overall layout of the site.
4. The subject is zoned I-1 Industrial but it is master-planned for commercial and high-density residential uses. Don Overson, Vineyard Town Engineer, reports a potential residential density of up to 30 units per acre at the southwest end of the site and up to 26 units per acre at the southeast end of the site. The north portion of the subject site is intended for future business park uses. Overson reports that Vineyard would likely entertain a rezoning request provided that there weren't any significant environmental concerns; we assume that this is correct.
5. Vineyard Connector, a future traffic corridor, is proposed to be constructed by Utah Department of Transportation (UDOT) along the south boundary of the subject site this summer. Don Overson, Vineyard Town Engineer, reports that there may be some delays due to a railway crossing needed to the east of the subject (close to Geneva Road); however, we understand and assume for purposes of this appraisal that this connector will still likely be in place within the next 8 to 20 months or so.
6. Don Overson of Vineyard reports that Vineyard Redevelopment Agency (RDA) will eventually extend Mill Road along the subject eastern boundary at its own expense; Overson reports that the timing of the construction of this street will likely coincide with plans for new development from nearby property owners. We assume that this is correct.
7. Don Overson of Vineyard reports that public utilities are available in close proximity (including water and sewer right at the southeast corner of the subject property). We assume that this is accurate for purposes of this appraisal.
8. The subject appears to be located in a FEMA Flood Zone X, which is outside the 500-year flood plain with less than 0.2% annual probability of flooding. We assume that this is correct.
9. Utah is a non-disclosure state; in other words, sale prices for property transactions are not made public as in most other states. The sources of comparable information are identified in this report -- both they and the data are considered reliable and have been confirmed whenever possible with at least one party that had direct knowledge of the transaction. When conflicting information was provided, the source deemed most reliable has been used. Data believed to be unreliable has not been included in the report nor used as a basis for the value conclusion.