

July 9, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Utah State University – Brigham City Regional Campus Ground Lease for the New Academic Building

Issue

Utah State University (USU) is requesting approval to enter into a ground lease with Brigham City to facilitate the city's issuance of bonds to finance its commitment of \$7.5 million for construction of USU's Academic Building project.

Background

The Academic Building for the Brigham City Regional Campus was authorized for funding with \$7.5 million of state funding and \$7.5 million committed by Brigham City through the issuance of bonds. Brigham City has determined that the most advantageous type of bonds for the project are Building Ownership Bonds purchased by the State Community Impact Board (CIB), which requires Brigham City to retain an ownership interest in the facility until the bonds are retired.

To accomplish this, USU proposes to enter into a no-cost ground lease so that Brigham City can hold a temporary interest in approximately one-half of the square footage until the bonds are repaid. The terms of this lease will include the following:

- USU will maintain 100% occupancy and control of the facility.
- In the highly unlikely event that Brigham City were to default on its bond payments, USU will have the right of first refusal to purchase the remaining ownership to ensure USU's continued and perpetual ownership of the facility.

Additional information about the proposal is included in the attached letter from USU requesting this arrangement. University officials will be present at the meeting to provide additional information and respond to questions from the Board.

Commissioner's Recommendation

The Commissioner recommends that the Board authorize USU to work with the vested parties to prepare the proposed no-cost ground lease and to secure the approval from the Office of the Attorney General regarding Regents' authority and compliance with state statutes in accordance with Regents Policy R712, *Non-traditional Arrangements for Development of Facilities on Campuses*.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/WRH
Attachment



June 26, 2014

Commissioner David L. Buhler
Utah State Board of Regents
Board of Regents Building The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Dear Commissioner Buhler:

In the 2014 General Session, the legislature approved the \$15 million USU Brigham City Campus Academic Building and appropriated \$7.5 million with the understanding that Brigham City would provide the matching \$7.5 million needed to complete the project. Brigham City is currently working with the State Community Impact Board on a direct purchase of City bonds by the CIB at very favorable rates for the City.

The most advantageous type of bonds for the City, classified as Building Ownership Authority bonds, require that the City retain an ownership interest in the facility until the bonds are retired. During this time, USU will maintain 100 percent occupancy and control of the facility. USU is desirous to work cooperatively with the City, its bond counsel, and the Community Impact Board (CIB) to create the best financial scenario for the City's repayment of bonds, the proceeds of which are making this project possible.

USU proposes to enter into a no cost ground lease with the City so that the lease document can establish terms under which the City may hold a temporary ownership interest in approximately one-half of the square footage of the facility until the bonds are repaid. The ownership provision is required by the CIB to mitigate its financial risk in the highly unlikely event that the City defaults on its bonds payments. It is mutually agreed by all parties that in the event of default, USU will have the right of first refusal to purchase the ownership interest from the CIB to ensure the continued and perpetual ownership of the building by the University.

This approach will provide the maximum benefit to the City while protecting USU's long-term interest in, use of, and ownership of this important flagship building on the new Brigham City campus.

We appreciate your support and ask that you present this item to the Board of Regents for approval. This request received Board of Trustees approval on June 27, 2014.

Sincerely,

David T. Cowley
Vice President
for Business & Finance

cc: Greg Stauffer, Associate Commissioner for Planning, Finance & Facilities
Stan Albrecht, President