

March 18, 2015

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Dixie State University – Sale of Property

Issue

Dixie State University (DSU) has requested authorization to sell two properties located at 605 and 641 East Tabernacle Street, St. George Utah to Dixie Towers, L.L.C. (Developer), for the development of privately owned student housing. The combined properties are .42 acres in size.

Background

Primarily as a result of its rapid growth, DSU has repeatedly documented the lack of sufficient student housing of adequate quality and reasonable proximity to the campus as a deterrent to continued enrollment growth. The proposed sale of the two parcels indicated, together with the sale of an additional 2.29 acres of adjoining property by the Dixie College Foundation (Foundation) will provide the Developer with sufficient property to build residential housing for up to 628 students on property adjoining the St. George Campus.

The need for student housing and the nature of the proposed project are described in the attached letter from DSU requesting this approval. The key elements of the proposal are:

- The properties will be sold by DSU at the combined appraised value of \$230,000.
- Sale of the property is contingent upon the Foundation's approval to sell its 2.29 acres of adjacent property.
- Settlement on the property transaction may extend for up to ten months to allow for sufficient time to obtain St. George City approvals and permits.
- Upon closing, a \$500,000 escrow will be deposited with a third party and held as a guarantee to be returned to the Developer upon completion of site and foundation work on the project.
- The project will provide an estimated 628 DSU students with housing that is adjacent to the campus and privately owned.
- The project will include an estimated 110,000 square feet of residential space, 19,000 square feet of retail space, and a multiple-story parking garage with 488 parking stalls.

DSU Board of Trustee approval is scheduled at their March 20, 2015 meeting, with Dixie College Foundation approval anticipated on April 13, 2015. The following materials are attached for your information: Executive Summary of the property appraisal; Attachment #1 that shows the properties and their location; Attachment #2 that provides detailed information about the project, the Developer, and a

rendering of the proposed project; and a letter from ICON Commercial Lending disclosing the commercial real estate loan approval to the Developer. DSU representatives will be present at the meeting to provide additional information and respond to questions from the Board.

Commissioner's Recommendation

The Commissioner recommends Board approval for DSU to sell this property as proposed, subject to the appropriate approvals by the DSU Board of Trustees and the Dixie College Foundation.

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David L. Buhler  
Commissioner of Higher Education

DLB/GLS/WRH  
Attachment

Paul C. Morris  
Vice President for Administrative Services  
Phone: 435-652-7504  
Email: [morris@dixie.edu](mailto:morris@dixie.edu)

March 4, 2015

Dr. David L. Buhler  
Commissioner of Higher Education  
60 South 400 West  
Salt Lake City, Utah 84101

Dear Dr. Buhler:

#### Purpose

Dixie State University (DSU) is requesting Regents' authorization for the sale of two pieces of institutional property located at 605 and 641 East Tabernacle Street contingent upon the Dixie College Foundation's approval to also sell approximately 2.29 acres of adjoining property.

#### Issue

Dixie State University has identified a shortage of student housing as a primary barrier to continued student enrollment growth. Dixie State University supports the development of new privately owned off-campus student housing complexes to help meet student demand. Dixie State University recognizes the value of a residential campus experience where students live in close proximity to campus and can walk or ride bikes to class and other activities. As student housing development opportunities adjacent to campus are very limited, the University is in favor of higher density student housing projects to accommodate a larger number of students desiring to attend DSU.

Dixie State University has experienced a 33% increase in student enrollment growth over the past 6 years. Fall 2014 student enrollment was up by 220 students. But, more specifically, non-commuter enrollments were up by 11% or 364 students. These are students who have a permanent residence outside of Washington County and are in need of student housing to attend Dixie State University. Further, the Utah System of Higher Education enrollment forecast for Dixie State University predicts steady growth of approximately 3% that will equate to an average of 281 students per year over the next 10 years.

#### Background

Dixie Towers, LLC has presented an offer to purchase the aforementioned properties from Dixie State University for the purpose of building student housing to help address unmet demand. The pertinent facts relative to the DSU properties are as follows.

- 605 East Tabernacle
  - .22 acres of land (approx.) improved with a 1,017 square foot building (old residence leased to a private business)
  - Appraised value \$145,000
- 641 East Tabernacle
  - .20 acres of land (approx.)
  - Appraised value \$85,000

The Dixie Towers, LLC has offered Dixie State University appraised value for the parcels. In order to allow sufficient time to obtain St George City approvals and permits, the settlement on the properties may extend for up to ten months. Upon closing, the developer will place an additional \$500,000 in escrow, to be held by a third party, as a guarantee to begin construction. Upon completion of the site work and foundation of the student housing building, the \$500,000 escrow will be returned to the developer. Should the site work and foundation of the student housing building fail to begin 1-year after property closing, the escrowed funds will be forfeited to the campus and foundation.

The Dixie Towers, LLC has also presented an offer to the Dixie College Foundation for the purchase of approximately 2.29 acres of adjoining property with existing building improvements. The developers are also pursuing privately owned parcels adjoining the DSU and foundation properties. The \$30,800,000 proposed development includes 110,000 square feet of residential space accommodating up to 628 students, 19,000 square feet of retail space and a multiple-story-parking garage with 488 parking stalls.

#### Time-line

In order to sell the properties owned by Dixie State University, Trustee and Regent authorization is necessary. The significant board meeting dates of the DSU Trustees, State Board of Regents and Dixie College Foundation are listed below.

- March 20, 2015 – Dixie State University Board of Trustees
- March 27, 2015 – State Board of Regents'
- April 13, 2015 – Dixie College Foundation

#### Attachments

- Attachment 1: Street and aerial view of properties
- Attachment 2: Dixie Towers, LLC rendering and project description
- Attachment 3: ICON Commercial Lending funding commitment

Sincerely,

Paul C. Morris

cc: Richard Williams, Sherry Ruesch

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**APPRAISAL REPORT**  
**OFFICE BUILDING AND VACANT SITE**  
**605 AND 641 E. TABERNACLE STREET**  
**ST. GEORGE, UTAH**  
**PURCHASE ORDER NO. P0036412**

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**Effective Date of Value:**  
January 16, 2015

**Prepared for:**  
Jackie Freeman  
Director of Purchasing  
Dixie State University  
225 South 700 East  
St. George, Utah 84770

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**Daniel Johnson, MAI, SRA and Ryan Johnson**  
**JOHNSON APPRAISAL, INC.**  
784 S. River Road, #104  
St. George, Utah 84790  
(435) 674-2191

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# JOHNSON APPRAISAL, INC.

REAL ESTATE APPRAISERS  
784 S. RIVER ROAD, #104  
ST. GEORGE, UTAH 84790

DANIEL JOHNSON, MAI, SRA  
RYAN JOHNSON

TELEPHONE  
(435) 674-2191  
FAX (435) 674-2192

January 19, 2015

## **LETTER OF TRANSMITTAL**

Jackie Freeman  
Director of Purchasing  
Dixie State University  
225 South 700 East  
St. George, Utah 84770

Dear Ms. Freeman:

We have completed an investigation and appraisal of the existing office building land vacant site located at 605 and 641 E. Tabernacle Street, in the City of St. George, County of Washington, State of Utah. The properties are legally described on page 8 of this appraisal report.

The purpose of this appraisal is to express an opinion of the "As Is" Market Values of properties. The intended use of this report is to establish market value estimates for potential sale by Dixie State University, the intended user of this report.

This appraisal report has been prepared in conformity with the Code of Professional Ethics of the Appraisal Institute and the 2014-2015 Edition of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

Parcel No. SG-1292 is improved with a 1,017 square foot building that is currently designed for professional office use and a 1,008 square foot attached garage which is utilized as a shop. The building was originally constructed in 1934 as a single family residence and is currently utilized as a professional office and shop. The site contains 9,720 square feet of area and is zoned for commercial use.

Parcel No. SG-1291 is a level to gently sloping parcel that contains a total of 8,514 square feet of area. The site is zoned C-3, which is defined as General Commercial Zone.

Exposure time is the amount of time in retrospect necessary to achieve a sale by the appraisal date and is based on immediate past market trends from applicable market data. The market values of the properties are estimates assuming exposure times of six months to one year prior to the hypothetical consummation of sales based on the effective date of the appraisal.

**LETTER OF TRANSMITTAL**

January 19, 2015

Page 2

***"As Is" Market Value of the Office Building***

It is our opinion that the "As Is" Market Value of the office building, located at 605 E. Tabernacle Street, with an effective date of January 16, 2015, is:

**ONE HUNDRED FORTY-FIVE THOUSAND DOLLARS  
(\$145,000)**

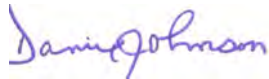
***"As Is" Market Value of the Vacant Site***

It is our opinion that the "As Is" Market Value of the vacant site, with an effective date of January 16, 2015, is:

**EIGHTY-FIVE THOUSAND DOLLARS  
(\$85,000)**

These two properties could be sold individually or in one transaction without any change in the market value estimates. This appraisal is made subject to the Certification and Assumptions and Limiting Conditions, which are contained on pages 4 through 6 of this report, and govern the use and validity of this appraisal.

Sincerely,



Daniel Johnson, MAI, SRA  
*Utah State Certified General Appraiser*  
License No. 5452150-CG00  
Expires July 31, 2015



Ryan Johnson  
*Utah State Certified General Appraiser*  
License No. 5791778-CG00  
Expires November 30, 2016

**ATTACHMENT #1**  
Dixie State University Parcels

605 East Tabernacle

- .22 acres of land (approx.) improved with a 1,017 square foot building (old residence leased to a private business)
- Appraised value \$145,000



641 East Tabernacle

- .20 acres of land (approx.)
- Appraised value \$85,000





Aerial View of 605 & 641 East Tabernacle



# DIXIE TOWERS

# ATTACHMENT #2

St. George, Utah

- Comm/Retail: 18,785 SF
- Residential: 110,153 SF
- # Apartments Units 81
- 8 Beds/Unit 628 Beds
- Parking: 488 Stalls
- Bike Storage 80 Spaces
- Zoning: C-3 w/ Student Housing Overlay
- 20% min. landscaping
- Allowed Density 40 units/ac.
- Allowable Height: 55 ft.
- Property: 148,200 sf / 3.4 ac.
- Planned Development - Student Housing



Dixie Towers Project - St. George, Utah

CRSA has been an integral part of community building throughout the Western Mountain Region since 1975. With offices in Utah and Idaho, and licenses in twelve states, we are working to make communities, campuses, and neighborhoods better places to live, learn, work, and play. Our staff of 64 professionals brings a solid background of capabilities to many project types. We continue to expand our body of creative and innovative work in the areas of higher education, government, and libraries, as well as residential, mixed-use, office projects, urban design, community and institutional planning, historic preservation, and the design of civic, commercial, cultural, and religious projects. Our design focus is based on a fundamental approach to problem solving: each unique problem deserves a unique solution.



Jule Plaza Mixed Use Project - St. George, Utah

## FIRM INFORMATION

CRSA is a C Corporation, founded in 1975, with 17 licensed Architects as well as licensed Planners, Landscape Architects, and Interior Designers across 12 states.

## FIRM OFFICE LOCATIONS:

20 N Main Street, Suite 104  
St. George, UT 84770  
Phone: (435) 673-7362  
Fax: (435) 673-7392

649 E South Temple  
Salt Lake City, UT 84102  
Phone: (801) 355-5915  
Fax: (801) 355-9885

151 N Ridge Avenue, Suite 113  
Idaho Falls, ID 83402  
Phone: (208) 524-4621  
Fax: (208) 523-3681





**ATTACHMENT #3**

6905 South 1300 East, Suite 175  
Cottonwood Heights, Utah 84047  
Phone: 866-956-5554  
[www.iconlending.biz](http://www.iconlending.biz)

March 3, 2015

Mr. Mark H. Snow/ PRINCIPAL  
Dixie Towers LLC/  
CLIENT [mhsnow@gmail.com](mailto:mhsnow@gmail.com)

RE: DIXIE TOWERS  
(Construction & Development Project)

Pursuant to discussion(s) and information provided to ICON regarding this Project, ICON Commercial Lending, Inc (ICON) is pleased to submit the following Letter of Commitment to provide financing for the DIXIE TOWERS construction/development project.

Mr. Mark Snow / Dixie Towers LLC (CLIENT) has been approved for ICON's Construction & Development Line-of-Credit financing facility. CLIENT has accepted ICON's Funding Agreement wherein ICON has made an *Irrevocable and Firm Commitment to Provide Project Funding* in the amount of Thirty Million Eight Hundred Thousand Dollars (\$30,800,000).

ICON is pleased to inform you that your application for a commercial real estate loan is hereby approved for funding. Based upon ICON's loan analysis, ICON proposes financing in the amount stated below and on the following general terms and conditions, as required by ICON.

Loan Amount:	\$30,800,000
Financing Program:	Construction/Development Line-of-Credit
Loan Structure:	Debt & Equity Financing w/ 35% JV Partnership
Loan Draw Period:	Forty Eight (48) months
Interest Rate:	Prime + 2% (5.25% fixed rate)
Repayment Terms:	First 60 months; monthly INTEREST ONLY payments
Loan Term:	Four years w/ long-term take-out financing option
Real Estate Collateral:	1 <sup>st</sup> mortgage on subject properties
Prepayment Penalty:	None
Personal Guarantee:	None
Personal Recourse:	None

ICON's completion and approval of this loan is based solely upon ICON's discretion from the underwriting of the loan/project, subject property, collateralization, financial / political stability, CLIENT(s), members & partners of the CLIENT(s) and all other material matters.

**Covenants:** Customary covenants, including without limitation: failure to make payment when due; breach of representation and warranties; bankruptcy/insolvency; judgments and attachments.

**Closing Conditions:** Execution and delivery by Borrower(s) of all documentation reasonably requested by ICON, all of which shall be acceptable to ICON and its counsel.

Funding for this project through ICON's Construction & Development Line-of-Credit financing facility is scheduled to occur not more than 45 days from the date of establishing and funding escrow. CLIENT has funded escrow. ***Initial funding for this project is anticipated to be disbursed by April 15, 2015.***

Please note that while the foregoing sets forth the general summary of the transaction, final written agreements between the parties will necessarily include such other terms and conditions as may be required by ICON or recommended by either party's counsel.

CLIENT agrees to pay all customary third-party escrow and/or closing and other reasonable expenses necessary for the closing and distribution of loan, including without limitation title insurance, attorneys' fees, retainers, escrow, fund control, notary, accounting, tax service, recording, structural/seismic report, environmental reports, financial auditing fees, survey fees, credit reports, commitment and standby fees, if any, and appraisals if required.

CLIENT also agrees to pay ICON's reasonable & customary travel expenses for ICON's due-diligence management team for the purpose of Project site evaluation and follow-up. Any travel expenses shall be approved & paid in advance by CLIENT, pursuant to ICON's LOI – Fee Agreement.

ICON thanks you for the opportunity to work together in providing your company with a suitable financing facility which will allow you to maximize your business potential.

For more information or to discuss this project's financing, please contact –



Mr. Randall Farr, Managing Director