

November 9, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Southern Utah University – Property Acquisition

Issue

Southern Utah University (SUU) requests Board approval to purchase eight residential properties contiguous to the Cedar City campus for \$1,500,000 (slightly under the appraised value of \$1,515,000) using institutional funds.

Background

Regent Policy R710, *Capital Facilities* requires the Board of Regents to approve institutional property purchases that exceed \$500,000. SUU requests Board approval to use institutional funds to purchase eight properties on 1.68 acres adjacent to the main campus for \$1,500,000. The property appraised for \$1,515,000 and is located directly north of the new Beverley Sorenson Center for the Arts and east of the main parking lot. Currently, the property is used for student housing. It consists of five standalone houses, two small apartment complexes with nine total apartments, and a vacant lot used for parking and access.

SUU is located near the heart of downtown Cedar City and property contiguous to campus rarely comes available for purchase. This proposed acquisition is unique in that the seller has been accumulating properties for several years and offers the opportunity to purchase all eight properties in one transaction. The University currently owns two parcels on the city block (see attached map) and this purchase would facilitate ownership of all but two small lots on the block. SUU will continue to operate the property as housing, currently generating \$120,000 per academic year in rental revenue, until otherwise determined by future need.

Additional information about this request may be found in the attached letter from the University with an accompanying map, purchase agreement, and executive summary of the appraisal report. SUU representatives will be available to respond to questions from the Board regarding this property transaction.

Commissioner's Recommendation

The Commissioner recommends that the Board authorize Southern Utah University to acquire property adjacent to the Cedar City campus.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments

October 12, 2016

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

RE: Board of Regents review and approval of a proposed property purchase

Dear Commissioner Buhler,

Southern Utah University (SUU) has signed an offer to purchase property contiguous to campus that would expand its immediate footprint by 1.68 acres, as outlined on the attached parcel maps. This is an unusual and unique opportunity to purchase a large tract of land in downtown Cedar City, and is the culmination of years of discussions with the current investors.

Attached, please find a copy of the purchase agreement between Renaissance Properties and SUU to acquire all eight of their properties located on the block between 200 to 300 West, and University Blvd. to Harding Ave. This is the same block SUU's Alumni House and Public Safety building are located, and is immediately north of the new Southern Utah Museum of Art building. This purchase agreement was approved by the SUU Board of Trustees at their September 23, 2016, meeting.

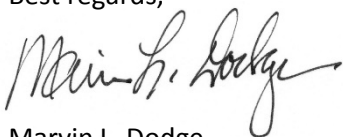
As required in Regent Policy R710, *Capital Facilities*, SUU is seeking Board of Regent approval to purchase these properties along with all houses, apartment buildings, out buildings, parking lots, appliances, furniture and other associated equipment. An independent appraisal of the properties, included with this packet, supports the agreed upon purchase price of \$1.5 million.

The administration believes this is a critical purchase for the University. It allows for a significant expansion of our campus footprint in one purchase. It also allows SUU to determine future developments north of the new Beverley Center for the Arts while continuing to operating these units for student or Shakespeare Festival actors/stage crew housing.

Based on Board of Regent approval, the closing date will be set for the first week in January 2017. This allows for a clean delineation in rental income and earnings between semesters. All deposits and contracts will be forwarded to the University in order to assume complete responsibility for the units beginning Spring Semester 2017.

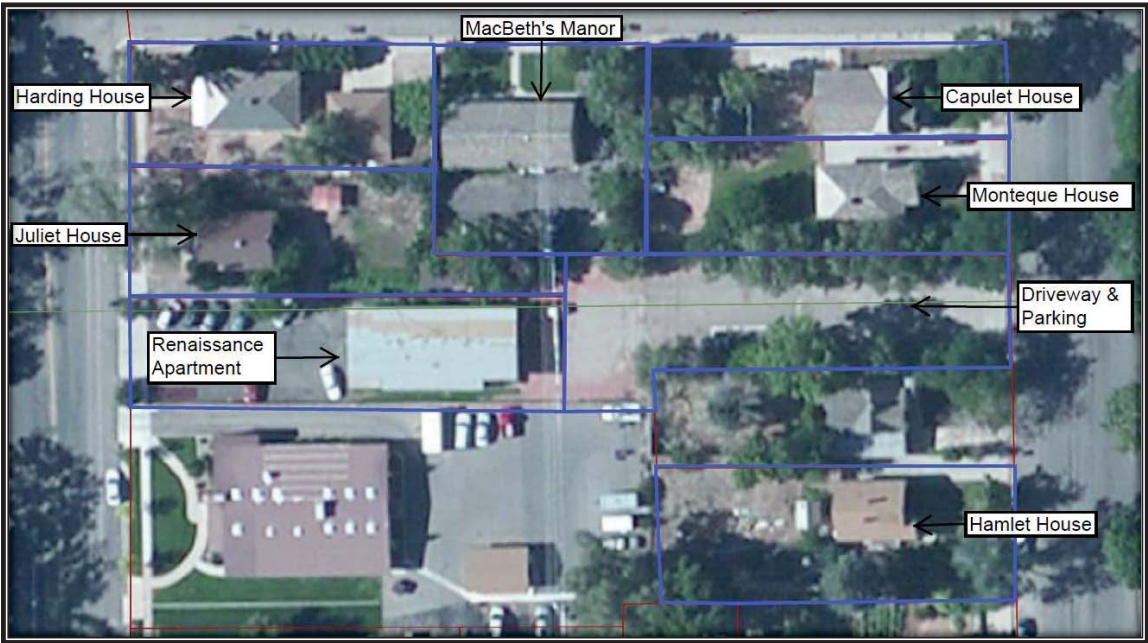
I look forward to responding to any questions that may arise during the November 18th meeting.

Best regards,

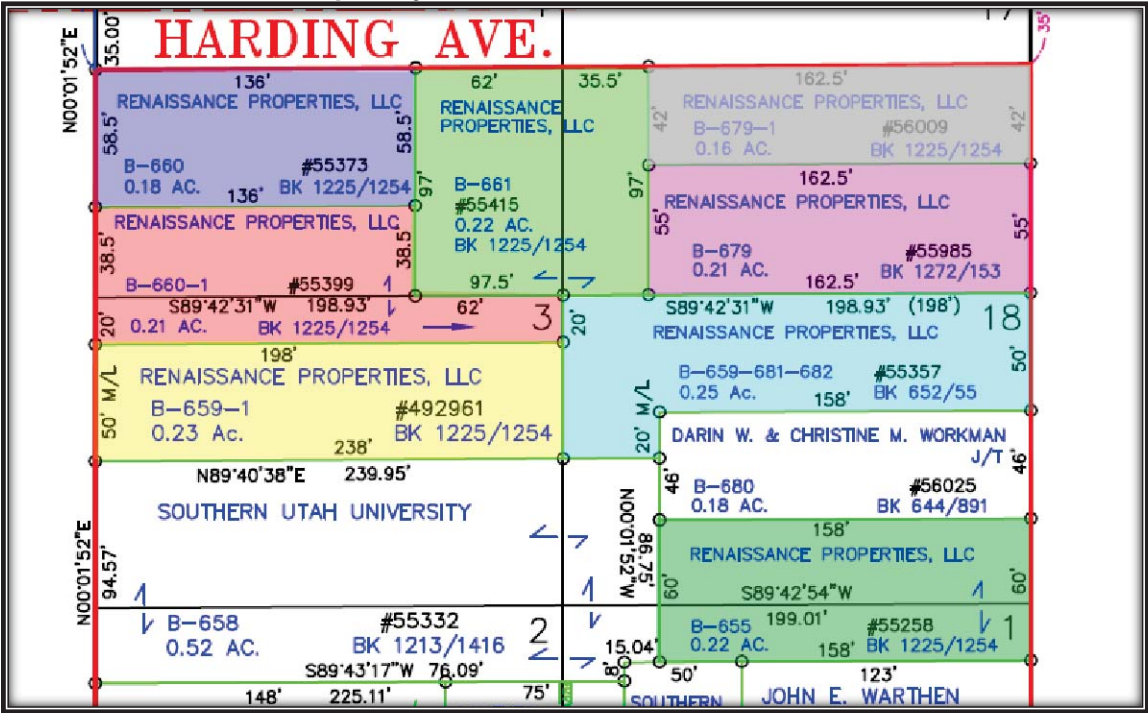


Marvin L. Dodge

Aerial Photo



Plat Map (Subject Parcels Filled with Different Colors)



September 26, 2016

John Packer
Tim Dulaney
Renaissance Properties, LLC
141 E. 2nd Ave., #902
Salt Lake City, UT 84103

Dear Tim and John,

Southern Utah University (SUU and/or University) is interested in acquiring properties from you described in the attached Purchase Offer to expand the footprint of its main Cedar City campus. Based on our understanding of your desire to sell the property in question, we hope to find agreement on what has amounted to several discussions over a number of years.

We submit the attached purchase offer for parcels we have discussed in the recent past and hope you will consider this request favorably. SUU anticipates additional resources will be required to make necessary improvements to the properties, if the purchase is approved, in order to meet code requirements established by the state for the University. This would be in line with SUU's immediate plans are to continue to manage the properties as University housing.

Please let us know of your interest in selling these properties to the University at your earliest convenience.

Sincerely,



Marvin L. Dodge
CFO | Vice President for Finance and
Administrative Services

Purchase and Sale Agreement

This Purchase and Sale Agreement is made as of the 26th day of September, 2016, between Seller, Renaissance Properties, LLC, and Buyer, Southern Utah University (SUU and/or University). Buyer offers to purchase the following described properties together with all improvements and fixtures and the personal property as described below. The Purchase Price will be paid in full to Seller at Closing, and thereupon, Seller will deliver a General Warranty Deed conveying from Seller to Buyer Fee Simple Absolute Title to all properties.

Eight Properties collectively known as "Renaissance Properties":

Legal descriptions:

- Home at 21 N 200 W, Cedar City, Utah – Parcel #B-0655
- Home at 53 N 200 W, Cedar City, Utah – Parcel #B-0679
- Home at 57 N 200 W, Cedar City, Utah – Parcel #B-0679-0001
- Vacant lot on 200 W, Cedar City, Utah – Parcel #B-0659-0681-0682
- Home at 46 N 300 W, Cedar City, Utah – Parcel #B-0660-0001
- Home at 58 N 300 W, Cedar City, Utah – Parcel #B-0660
- MacBeth Manor (apartments), 265 W Harding Ave., Cedar City, Utah – Parcel #B-0661
- Renaissance Apartments, 40 N 300 W, Cedar City, Utah – Parcel #B-0659-0001

EARNEST MONEY- the Buyer has delivered to the Seller, via an escrow account at Cedar Land Title, as Earnest Money, the amount of \$15,000. In accordance with the State of Utah law, the properties shall be deemed to be "under contract" and not available for sale to any other parties. The earnest money shall be applied toward the Purchase Price at Closing.

Offer to Purchase

PROPERTY: All of the Renaissance Properties described above.

Included items – Unless excluded herein, this sale includes the following items if presently owned and attached to each of the properties: plumbing; heating; air conditioning fixtures/units, and equipment; ceiling fans; water heaters; built-in appliances; light fixtures and bulbs; bathroom fixtures; curtains, draperies and rods; window and door screens; storm doors and windows; window blinds; all water rights, awning; permanently installed carpets; automatic garage door openers and transmitters (if applicable); fencing; trees and shrubs; all furnishings including sofa's, beds, dinette sets, end and coffee tables, dressers, assorted seating, and all other items generally found within a furnished apartment.

Excluded items – those items currently within the properties to be excluded from the sale are as follows: NONE

THE PURCHASE PRICE IS TO BE PAID AS FOLLOWS:

1. Purchase Price – The purchase price of the Renaissance Properties, all eight as specified within the legal descriptions above, is One Million Five Hundred Thousand Dollars (\$1,500,000).

Considerations – the following considerations are incorporated into this agreement.

- a) Closing date shall be after January 1, 2017, but before January 6, 2017.

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1. Purchase Price – The purchase price of the Renaissance Properties, all eight as specified within the legal descriptions above, is One Million Five Hundred Thousand Dollars (\$1,500,000).

Considerations – the following considerations are incorporated into this agreement.

- a) Closing date shall be after January 1, 2017, but before January 6, 2017.
 - b) Buyer's earnest monies in the amount of \$15,000 will be held in escrow at Cedar Land Title. Said monies shall be forfeited by the Buyer to the Seller if Buyer decides to remove itself from this agreement. Buyer acknowledges the purchase price is supported by an independent appraisal of said properties by Morley & McConkie, LC., dated August 22, 2016, Appraiser File #16-173 CH.
 - c) Seller agrees that at the time of Closing all properties will be free and clear of all encumbrances, including property tax paid in full as of date of Closing.
2. Title Insurance – At closing, Seller agrees to pay for a standard-coverage owner's policy of title insurance insuring Buyer in the amount of the Purchase Price.
 3. Condition of Title – Seller represents that Seller has fee title to the properties and will convey good and marketable title to the Buyer at closing by general warranty deed. Buyer agrees to be responsible for taxes, assessments, utilities, and other services provided to the properties after Closing. By Closing, Seller will cause to be paid off all mortgages, trust deeds, judgements, mechanics liens, tax liens, warrants and other encumbrances on all properties, in order to convey Fee Simple Absolute Title to Buyer.
 4. Condition of properties and appliances – Buyer is buying the properties in "as is condition" with no warranties or offsets. Buyer will have access to the properties for inspection. Appliances and other personal property will be transferred by bill of sale free of encumbrances at Closing.
 5. Current Rental Agreements and Tenant Deposits –
 - a) Seller shall provide current rental agreements and pay or credit to the Buyer at closing any deposits, including but not limited to, security deposits, cleaning deposits, and prepaid rents.
 - b) Following the Closing, Buyer will assume all responsibilities of the 'Landlord/Lessor' under the existing rental agreements affecting the properties.
 - c) The Buyer will indemnify and hold the Seller harmless from and against any and all claims, liabilities and obligations that arise under said rental agreements following the Closing, but not before.
 - d) The parties understand and agree that the tenants in the respective properties should be notified of the pending change of ownership prior to the beginning of the Christmas Break. Unless otherwise agreed, Seller will be responsible for notifying all tenants of the pending change of ownership by or before December 8, 2016, and that they are to pay rent due for January, 2017, to Buyer.
 6. Settlement and Closing – Settlement and closing shall be handled and occur at a local Cedar Land Title Company, 415 N Main St #205, Cedar City, UT 84721; (435) 586-9984. Settlement shall be scheduled at a time convenient to the parties and the title company, Tuesday, January 3, 2017 through Friday, January 6, 2017.
 7. Closing Costs – Seller shall be solely responsible for all associated closing costs. Buyer and Seller acknowledge that there is no broker or listing agreement or commission due on this sale.
 8. In the event of any disputes or court actions arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of reasonable attorney fees and costs, to be paid by the non-prevailing party. This provision shall survive the Closing.

ACCEPTANCE OF OFFER

Seller – Renaissance Properties, LLC.

John W. Packer, Manager Date 9/26/16

Buyer – Southern Utah University Marvin L. Dodge, CFO/Vice President

M L Dodge Date 9/26/16

2016

APPRAISAL REPORT

Property:
Renaissance Properties



Located At:
**Northeast Corner of 300 West and
University Blvd.
Cedar City, Utah 84720**

Client:
**Mr. Brad Brown
Southern Utah University
351 West University Blvd.
Cedar City, UT 84720**

File No.
Appraiser File #16-173 CH





REAL ESTATE APPRAISERS AND CONSULTANTS

August 22, 2016

Mr. Brad Brown
Southern Utah University
351 West University Blvd.
Cedar City, UT 84720

Re: Renaissance Properties
Northeast Corner of 300 West and University Blvd.
Cedar City, Utah 84720
Appraiser File #16-173 CH
Tax ID No.: B-0655-0000-0000, B-0679-0000-0000, B-0679-0001-0000, B-0661-0000-0000, B-0660-0000-0000, B-0660-0001-0000, B-0659-0681-0682 and B-0659-0001-0000

Dear Mr. Brown,

At your request, I have appraised the properties referenced above to form an opinion of market value as of August 9, 2016. I, Cody Hymas, MAI, inspected the subject of this appraisal on August 9, 2016. The results of the appraisal are presented in the following Appraisal Report which sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to my value opinions.

This appraisal and report consists of multiple single family residences, a 4-plex and a five-unit apartment. All properties are located in the northeast block of 300 West and University Boulevard. Currently all properties are tenant occupied and are used for student housing but have no affiliation with Southern Utah University. The improvements vary in terms of design, size, bedrooms, year built, quality and condition. Per the request of the client the retail value of each individual property was requested.

I developed my analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of my client as I understand them.

Mr. Brad Brown is the client in this assignment and Southern Utah University is the sole intended user of the appraisal report. The intended use is to assist in negotiations for a possible purchase. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

This appraisal relies on the following hypothetical condition:

- None.

This appraisal relies on the following extraordinary assumptions:

- The income and expense information provided by the property owner is correct and accurate.
- I did not view all properties as some of the tenants were not available, albeit, I did view the majority of units/rooms. This appraisal and report relies on the extraordinary assumption that all units/rooms have the same quality and condition as the units/rooms viewed.

The use of the extraordinary assumptions might have affected the assignment results.

Based upon my examination and study of the properties and the market in which they compete and subject to the extraordinary assumptions and limiting conditions contained later in this report, Market Value of the subject properties as of the effective date of this appraisal is as follows:

Market Value Conclusions			
Chapter	Property	Premise	Market Value
1	Hamlet House	Leased Fee	\$155,000
2	Vacant Lot	Fee Simple	\$60,000
3	Montague House	Leased Fee	\$165,000
4	Capulet House	Leased Fee	\$190,000
5	MacBeth's Manor	Leased Fee	\$275,000
6	Harding House	Leased Fee	\$150,000
7	Juliet House	Leased Fee	\$155,000
8	Renaissance Apart	Leased Fee	\$365,000

This letter of transmittal must be accompanied by all sections of this report as outlined in the Table of Contents, in order for the value opinions set forth above to be valid.

Respectfully submitted
Morley & McConkie, LC



Cody Hymas, MAI
UT State Certified General Appraiser
UT #5504978-CG00 Expires April 30, 2018

CH/sd
Enc