

March 23, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Southern Utah University – Property Exchange and Long-term Lease for Student Housing

Issue

Southern Utah University (SUU) requests approval to exchange contiguous University property with property owned by the Dixie and Anne Leavitt Foundation (DALF), which is also contiguous to the University. A small value difference between the properties will require a \$38,000 payment by SUU. The University also requests approval to enter into a 30-year lease with the Dixie and Anne Leavitt Foundation for a student housing facility to be built on the exchanged property with an estimated 300 to 350 beds.

Background

Regent Policy R710 requires Board approval for disposal of real property by an institution. SUU requests approval to sell three lots contiguous to the campus, approximately one acre in total size, to the Dixie and Anne Levitt Foundation. The properties, located southeast of campus, currently function as parking lots and appraised for \$302,000. In exchange, the DALF will sell the University two 0.19 acre lots contiguous to campus on the south that include two structures used as student rental units. The value of the two DALF properties appraised at \$340,000. SUU would pay \$38,000 to DALF to balance the transaction.

The purpose of this exchange of property is to facilitate the development of additional student housing for the University. SUU currently operates 610 on-campus beds that are insufficient for the growing student population. Through a partnership with the DALF, which contributes annual income to SUU as a supported organization, the University would lease and manage a new 300 to 350 bed housing structure built by the Foundation. This partnership would increase the number of on-campus beds without capital outlay or bonding by the University. Both partners are committed to design and construction that will be cost-efficient.

As the facility is proposed to be built on DALF land and owned by the Foundation, neither Regent Policy R587, *Contract or Lease-Purchase Financing* nor R712, *Nontraditional Arrangements for Development of Facilities on Campuses* applies. Nevertheless, as the transaction involves a long-term commitment from the University and the transfer of University land, Board approval is recommended. University representatives will be present at the meeting to provide additional information and respond to Regents' questions as needed. Additional information about the property exchange and long-term lease of student housing may be found in the attached materials:

- A request letter from the University
- An aerial map of SUU property
- A letter from the Dixie and Anne Leavitt Foundation
- An executive summary of the SUU property appraisal
- An executive summary of the appraisal for the DALF property at 215 S 700 W
- An executive summary of the appraisal for the DALF property at 225 S 700 W

#### Commissioner's Recommendation

The Commissioner recommends that the Board carefully evaluate this proposal in the context of the long-term needs for student housing at Southern Utah University and authorize the University to proceed with the property exchange with the Dixie and Anne Leavitt Foundation and a long-term lease for student housing.

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David L. Buhler  
Commissioner of Higher Education

DLB/KLH/RPA  
Attachments

TO: 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

DATE: February 24, 2016

RE: Regents review and approval of a property exchange/residential hall proposal

Dear Commissioner Buhler,

Last fall the University administration was approached by the Dixie and Anne Leavitt Foundation (DALF) with an opportunity to partner in the construction of a new residence hall for SUU's campus. In order to initiate such a project we are seeking Board of Regent approval of a land swap necessary to consolidate ownership of property on which to build the new residence hall, and to enter into a long-term lease of the facility. The SUU Board of Trustees unanimously approved this proposal at their February 18, 2016, meeting. This document provides a summary of our discussions and tentative agreement with DALF.

By way of background, it is an important reminder that SUU has been partners with DALF since its inception in the year 2000. When Dixie and Anne Leavitt established their foundation, SUU was designated as the named "supported organization." This status affords the University a minimum 30% of the Foundation's annual net income for student housing scholarships. In reality, DALF's contributions to SUU for housing scholarships has consistently averaged 70% of its annual net income for a total of \$4,674,484 to date. The long-term growth and success of DALF will provide ongoing growth in scholarships for SUU students. We are more than casual friends; we are partners in education.

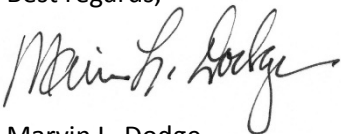
The following items outline key points of this proposed transaction.

1. SUU has faced a shortage of on-campus housing for a number of years; particularly following the emergency closure and subsequent demolition of Juniper Hall. Each year we have frustrated parents unwilling to enroll their child at SUU because they could not secure on-campus housing. While we appreciate the value placed on the services provided by our housing operation, we currently have only 610 on-campus beds. We are unable to meet the annual demand from our 8,900 current students, and consistently have a lengthy waiting list.
2. Available student housing in Cedar City is becoming scarce. As outlined in numerous newspaper articles and national media outlets last fall, SUU faced a housing shortage due to a rapid enrollment increase. Adding almost 1,300 new students, following a number of years of flat enrollment, caught the housing community by surprise. Based on our current tracking of applicants and accepted students for this fall, we are likely to see another large enrollment increase further compounding this situation.
3. SUU and DALF each own land identified as an ideal location to build additional on-campus housing between 300 West and Dewey Avenue at 200 South. Lots independently owned by SUU and DALF alone do not provide sufficient space to build a large structure, however, if combined, we believe a 300 to 350 bed residence hall could be built for the University.

- a. Outlined on the campus map included as Appendix A, are highlighted in blue, three lots owned by SUU south of 200 South Street. These lots, marked A, B, and C, total 1.04 acres, and appraised for \$302,000 in an October 28, 2015, appraisal conducted by Morley & McConkie LC.
  - b. In exchange for SUU's property, DALF has offered two rental properties which are contiguous to campus between 700 West Street and our current on-campus housing facility. These properties, marked D and E, total .38 acres including two structures currently used as student rental units, appraised for \$340,000. SUU will provide a payment to DALF in the amount of \$38,000 to balance this transaction.
4. The SUU Housing Office, Vice President for Student Affairs Jared Tippetts, and I have engaged in a design conversation with representatives from DALF. The University's desire is to construct a traditional residence hall style facility with bedrooms that open onto a common hallway. Included within the facility will be open spaces for gathering, designated study spaces, and outdoor green space on the site. We are also exploring additional components such as a weight/exercise room, movie room, café, and other amenities as the financial model allows.
5. The evidence is clear that students who live in a residence hall – even for just one year – persist at higher rates than other students, have higher grade point averages, and report higher levels of connection to the University at large. As we succeed in increasing overall student retention rates, from the first year through their last, we will further increase the demand for student housing in Cedar City. It is important to note that we do not want to construct apartments. We trust the private sector will continue to provide for the market demand in this area and we do not wish to add to the competition in this sector.
6. If approved, SUU will enter into a thirty (30) year lease of the facility. SUU's Housing Office will manage this building as part of its on-campus housing inventory. Resident programming will be implemented including staffing with a Residential Education/Community Coordinator, Resident Assistants, and other security and support personnel. Students living within the facility will be expected to purchase a meal plan.
7. Our discussions on design and construction costs are targeted to ensure we remain in-line with current on-campus housing rates. DALF is able to construct a facility at a lower cost per square foot than the University can, which aids in this goal. Partnering with DALF provides a very cost effective model for student housing because they are not required to build to the 50-75 year life standard required of SUU by the Utah Division of Facilities and Construction Management (DFCM).
8. If approved by the Board of Regents at their April 1, 2016, meeting we anticipate design and construction to proceed quickly with a target opening date of fall semester 2017.
9. I requested, and have included for your review, a commitment letter from DALF outlining their expectations and commitment for use of the property following the exchange outlined above.

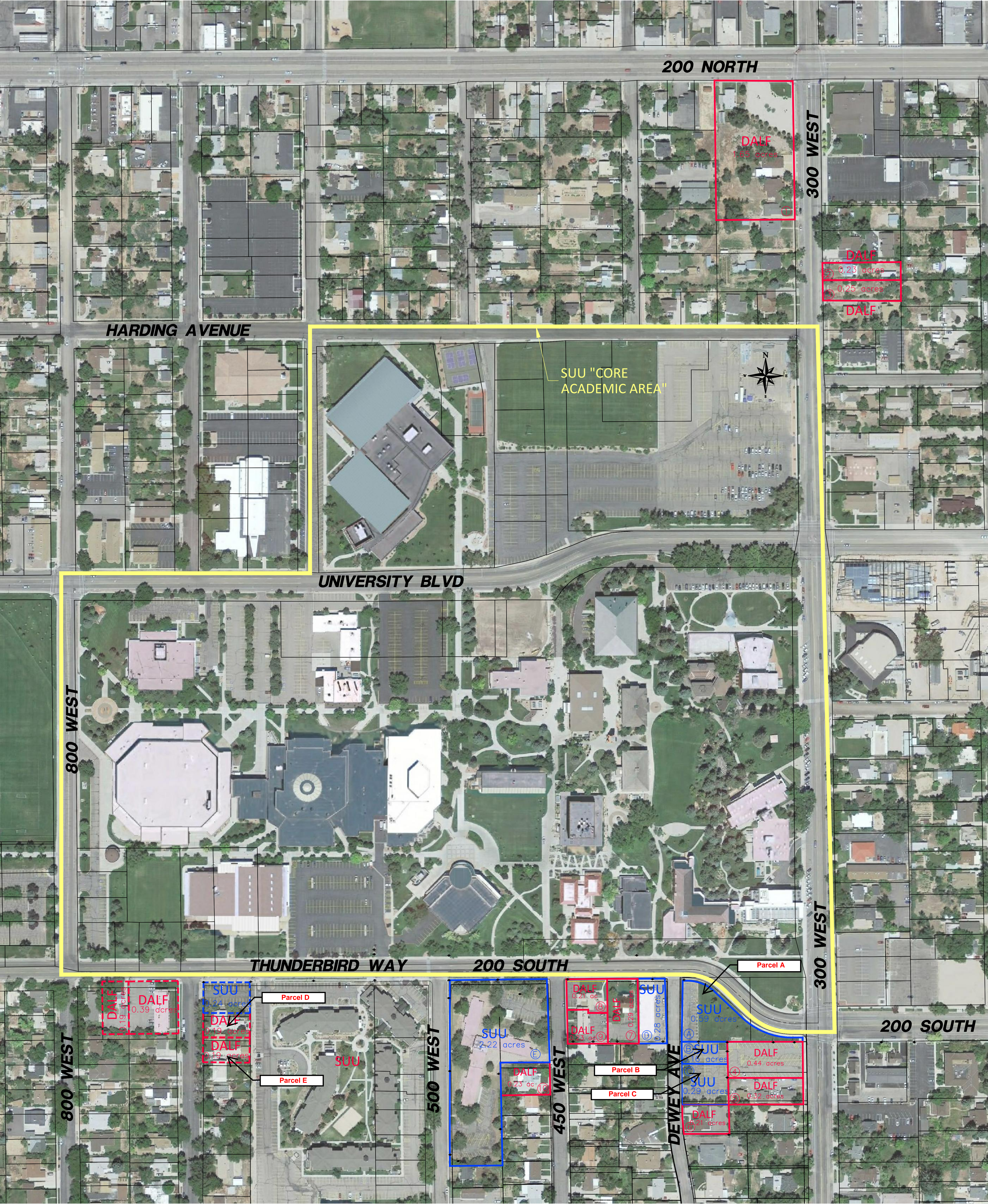
I look forward to responding to any questions you may have but am also available to your staff prior to the Regents meeting if questions arise.

Best regards,



Marvin L. Dodge







2015

# APPRAISAL REPORT

**Property:**  
**SUU Land**



**Located At:**  
**Near Southwest Corner of 300 West and**  
**200 South**  
**Cedar City, Utah, 84720**

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

**File No.**  
**Appraiser File # 15-248 CH**





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REAL ESTATE APPRAISERS AND CONSULTANTS

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October 28, 2015

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

Re: SUU Land  
Near southwest corner of 300 West and 200 South  
Cedar City, Utah 84720  
Appraisers' File #15-248 CH  
Tax ID No. Portion of B-1014-0001-0001 & B-1014-0001-0000 and parcels B-1018-0001-0002 and B-1018-0006-0000

Dear Mr. Brown,

At your request, I have appraised the property referenced above to form an opinion of the 'as is' market value as of October 25, 2015. I, Cody Hymas, MAI, inspected the subject of this appraisal on October 25, 2015. 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.

The subject of this appraisal and report is the SUU parking lot located at near the southwest corner of 300 West and 200 South in Cedar City, Iron County, Utah. The subject of this report consists of a portion of two parcels and the entirety of two additional parcels. The subject has a total site of 1.04 acres (45,302 sf). The subject is irregular in shape, has a slight slope downward to the west and is near grade of adjoining streets and properties. The site has all utilities available and asphalt paved access from 300 West. The subject is improved with an asphalt paved private parking area for SUU with some mature landscaping.

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 Mr. Brad Brown, Mr. Marvin Dodge and Mr. Scott Wyatt are intended users of the appraisal report. The intended use is to know fair market value of the subject property. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

This appraisal does not rely on any hypothetical conditions. This appraisal relies on the following extraordinary assumption:

- This appraisal and report relies on the extraordinary assumption that parcels B-1014-0001-0001 and B-1014-0001-000 have been legally split and assembled and are accurate. The plat map and legal description for the assembling of these parcels were provided by the client and include all the real estate located south of 200 South.

Based upon my examination and study of the property and the market in which it competes, and subject to the extraordinary assumptions and limiting conditions contained later in this report, Market Value of the Fee Simple Interest as of the effective date of this appraisal is as follows:

**\$302,000**  
**Three Hundred Two Thousand Dollars**

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, 2016

CH/sd

Enc





DIXIE & ANNE LEAVITT  
Foundation

216 South 200 West, P O Box 1027, Cedar City, UT 84721-1027  
Phone: (435) 586-1558 \* Fax: (435) 586-1510

February 12, 2016

Marvin L. Dodge  
CFO, Vice President for Finance & Administration  
Southern Utah University  
[marvindodge@suu.edu](mailto:marvindodge@suu.edu)

Re: Student Housing Project between 300 West and Dewey Avenue at 200 South

Dear Marvin:

Introduction

This letter responds to your email of yesterday seeking written statements from the Dixie and Anne Leavitt Foundation (DALF) concerning the student housing project we have been discussing – which project could be located between 300 West and Dewey Avenue at 200 South (the Project).

Facilitating Land Trade

DALF owns the land needed for the Project, except for parcels owned by the University facing 200 South and Dewey Avenue. Attached, as Appendix A, is a Google Earth image showing the Project's location, and the property associated with the Project presently owned by DALF, and that owned by the University.

We have discussed a land trade to facilitate the Project. DALF would transfer to SUU two homes and associated land DALF owns adjacent to Cedar Hall (facing 700 West). That property (the 700 West Property) is identified under Appendix B. SUU would trade to DALF the land owned by SUU within the Project area identified under Appendix A.

SUU has obtained an appraisal of the land it will trade. The appraisal sets the value at \$302,000. DALF has ordered, with your concurrence, appraisals of the 700 West Property (two separate homes and lots), and will deliver the appraisals to you in advance of your February 18<sup>th</sup> Board of Trustees Meeting. Any difference in the appraisals will be paid as boot by the party with the lesser-valued property. Upon Trustee and Regents approval, the land swap would be presently effected, but subject to the following conditions to help assure that the purposes of the swap were realized:



Marvin Dodge  
Southern Utah University  
February 12, 2016  
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1. Until construction on the Project begins, the parties to the trade will continue to occupy and receive the benefits and burdens of the property traded, and will maintain the traded property in its same condition, reasonable wear and tear excepted.
2. Within six months after trade, either party may request the trade be reversed, and upon such a request, both parties agree to reconvey, without encumbrance (other than those existing on the date of the trade), the property received in the trade.

#### Details Concerning the Project

Prior to your February 18<sup>th</sup> Trustees meeting, DALF will deliver a concept outline and a pro-forma rendering of the project. The Project's total bed count will hinge on the parking spaces required under the City's ordinance. In that SUU desires a project with two occupants for each bedroom, the parking requirement will be 1.3 spaces per bedroom, or .65 parking spaces per bed. Our concept outline will specify the anticipated number of beds the available parking can support. SUU desires over 300.

You have asked for assurances that DALF will continue to negotiate with the University on the design of the buildings to assure SUU's parameters are met, including a traditional dorm style building with a meal plan, and no cooking amenities. We here provide those assurances, but note the design will include plumbing and electrical resources in the walls such that a kitchen could be added, and the facility retrofitted to be apartments, should SUU not renew the anticipated 30-year lease – or should SUU's desires change. Given that use patterns and preferences change, such a plan benefits all involved.

You have asked for assurances that it is DALF's intent to lease the Project to SUU for a minimum of 30 years, with the University to manage the facility as part of its regular on-campus student housing properties. That assurance is here given.

You have asked for assurances that design/construction costs will be targeted to ensure a lease rate that allows student housing rates to be reasonably aligned with current on-campus housing rates. Of course, those assurances are needed as much from SUU as from DALF. We are committed to work together with the University to find the right balance of amenities and economies to allow the project to work for SUU and its resident students – and also to safeguard DALF's capacity to serve its mission to benefit SUU, its students, and DALF's general charitable obligations and purposes. The contemplated underground parking is a desirable amenity, and quite necessary if we are to house the desired number of students upon the available land. Underground parking is not part of other on-campus housing offerings. All must recognize that there will be a cost (and benefit) associated with this feature.



Marvin Dodge  
Southern Utah University  
February 12, 2016  
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I trust you will continue to work with Tom Pugh and others acting in concert with Tom on DALF's behalf in evaluating the Project. The full Board of DALF, of which you are a member, is aware of these proceedings, and has approved this letter.

With warmest regards,

DIXIE AND ANNE LEAVITT FOUNDATION



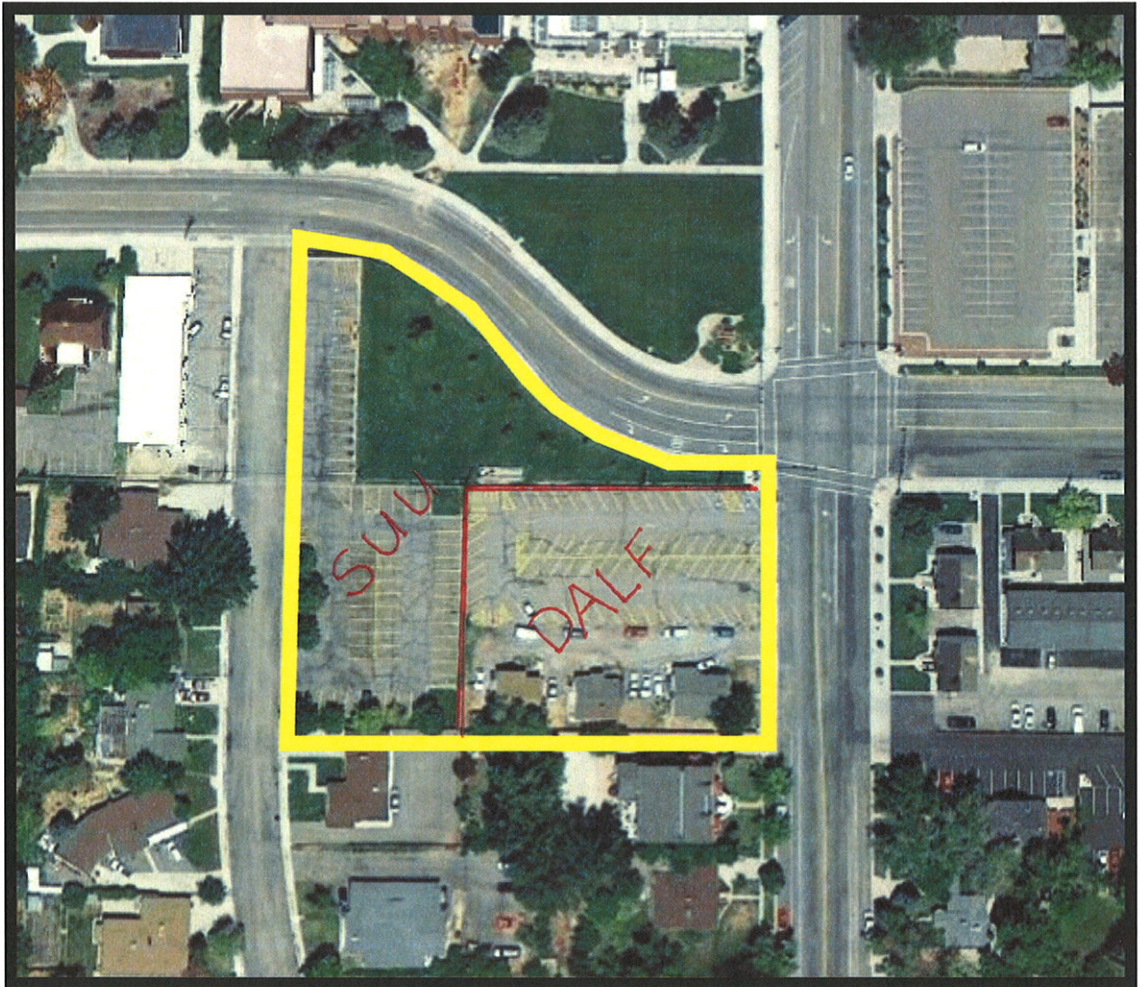
Dixie Leavitt, Trustee

Cc: Tom Pugh  
Dane Leavitt  
DALF's Board

Enclosures: Appendix A (Project boundaries and ownership);  
Appendix B: (DALF trade to SUU)



Appendix A



Proposed Gateway South Project



Appendix B



700 West Properties



## APPRAISAL OF REAL PROPERTY



### LOCATED AT

215 S 700 W  
Cedar City, UT 84720  
See attached addenda.

### FOR

Dixie & Anne Leavitt Foundation  
PO Box 1027  
Cedar City, UT 84721

### OPINION OF VALUE

190,000

### AS OF

02/11/2016

### BY

Karsten Reed  
Utah South Appraisal  
107 N 200 W  
Cedar City, UT 84720  
(435) 865-1921  
kreed@utahsouthappraisal.com  
www.utahsouthappraisal.com



## SUMMARY OF SALIENT FEATURES

SUBJECT INFORMATION	Subject Address	215 S 700 W
	Legal Description	See attached addenda.
	City	Cedar City
	County	Iron County
	State	UT
	Zip Code	84720
	Census Tract	1104.00
	Map Reference	N/A
SALES PRICE	Sale Price	\$
	Date of Sale	
CLIENT	Borrower/Client	Dixie & Anne Leavitt Foundation
	Lender	Dixie & Anne Leavitt Foundation
DESCRIPTION OF IMPROVEMENTS	Size (Square Feet)	1,208
	Price per Square Foot	\$
	Location	N;Res;
	Age	70
	Condition	C3
	Total Rooms	5
	Bedrooms	2
	Baths	1.0
APPRAISER	Appraiser	Karsten Reed
	Date of Appraised Value	02/11/2016
VALUE	Opinion of Value	\$ 190,000



## APPRAISAL OF REAL PROPERTY



### LOCATED AT

225 S 700 W  
Cedar City, UT 84720  
See attached addenda.

### FOR

Dixie & Anne Leavitt Foundation  
PO Box 1027  
Cedar City, UT 84721

### OPINION OF VALUE

150,000

### AS OF

02/11/2016

### BY

Karsten Reed  
Utah South Appraisal  
107 N 200 W  
Cedar City, UT 84720  
(435) 865-1921  
kreed@utahsouthappraisal.com  
www.utahsouthappraisal.com



## SUMMARY OF SALIENT FEATURES

SUBJECT INFORMATION	Subject Address	225 S 700 W
	Legal Description	See attached addenda.
	City	Cedar City
	County	Iron
	State	UT
	Zip Code	84720
	Census Tract	1104.00
	Map Reference	16260
SALES PRICE	Sale Price	\$
	Date of Sale	
CLIENT	Borrower/Client	Dixie & Anne Leavitt
	Lender	Dixie & Anne Leavitt Foundation
DESCRIPTION OF IMPROVEMENTS	Size (Square Feet)	1,164
	Price per Square Foot	\$
	Location	N;Res;
	Age	64
	Condition	C3
	Total Rooms	5
	Bedrooms	3
	Baths	1.0
APPRAISER	Appraiser	Karsten Reed
	Date of Appraised Value	02/11/2016
VALUE	Opinion of Value	\$ 150,000