

January 11, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Property Disposal

Issue

The University of Utah requests Board approval to dispose of a 62,133 gross square foot class B office and research facility located on 3.4 acres at 585 Komasa Drive in the University's Research Park for \$8,100,000. The property no longer supports the University's mission and has been deemed surplus.

Background

Regent Policy R710, *Capital Facilities* requires the Board of Regents to approve the disposal of institutional property. In 2016 the University of Utah consolidated its Information Technology (IT) department and located it at the former Questar Building in downtown Salt Lake City, known as 102 Tower (102 South 200 East). As part of that move and consolidation, the IT operations previously located at 585 Komasa Drive in Research Park were vacated. The University is currently in negotiations with ARUP Laboratories Inc. (a non-profit corporation "owned" by the University of Utah) to purchase the property for \$8,100,000.

An appraisal of the property commissioned by ARUP, dated as of November 2015, concluded that the market value of the property was \$7,400,000. A more recent appraisal commissioned by the University, dated as of November of 2016, concludes the market value of the property is \$8,275,000. The University of Utah requests Board approval to sell the property to ARUP for a purchase price of \$8,100,000.

Additional information about this request may be found in the attached letter from the University and the executive summary of the property appraisal with accompanying maps. Representatives from the University of Utah will be in attendance at the meeting to provide additional information and respond to questions from the Board.

Commissioner's Recommendation

The Commissioner recommends that the Board authorize the University of Utah to dispose of the property located at 585 Komasa Drive in Research Park for a negotiated price of \$8,100,000.

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David L. Buhler  
Commissioner of Higher Education

DLB/KLH/RPA  
Attachments

December 21, 2016

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

Dear Commissioner Buhler:

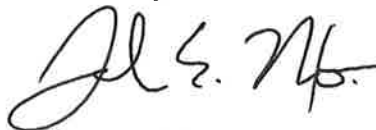
The University of Utah hereby requests approval from the Board of Regents' for the disposition of the building located at 585 Komas in Research Park.

The University's IT teams previously occupied the 585 Komas building in Research Park. With the consolidation of IT operations into the 102 Tower in downtown Salt Lake City, the University desires to sell the 585 Komas building to ARUP. The purchase price was established by appraisal to be \$8,100,000.

Approval is requested to authorize the University to finalize negotiations with ARUP on the disposition of the building. Closing to occur on or before March 31, 2017.

Thanks, as always, for your consideration and support.

Sincerely,



John E. Nixon  
Chief Administrative Officer

c: David W. Pershing  
Dr. Kimberly Henrie  
Richard P. Amon  
Arnold B. Combe  
Jonathon Bates

**VAN DRIMMELEN & ASSOCIATES, INC.**  
**REAL ESTATE APPRAISERS / CONSULTANTS**

**AN APPRAISAL OF**  
A ±61,293 RSF OFFICE/DATA CENTER  
BUILDING WITHIN RESEARCH PARK

**LOCATED AT**  
585 KOMAS DRIVE  
SALT LAKE CITY, UTAH 84108



**PREPARED FOR**  
UNIVERSITY OF UTAH  
Attn: Mr. Jonathon Bates, CPM  
Executive Director  
Department of Real Estate Administration

**PREPARED BY**  
ERIC VAN DRIMMELEN, MAI  
CERTIFIED GENERAL APPRAISER

**EFFECTIVE DATE AS IS**  
November 15, 2016

**DATE OF REPORT**  
December 14, 2016

VAN DRIMMELEN & ASSOCIATES, INC.  
REAL ESTATE APPRAISERS / CONSULTANTS

December 14, 2016

University of Utah  
Attn: Mr. Jonathon Bates, CPM  
Executive Director  
Department of Real Estate Administration  
505 Wakara Way  
Salt Lake City, Utah 84108  
Office: 801-587-8730  
Email: Jonathon.bates@admin.utah.edu

Re: An appraisal of a ±61,293 RSF office/data center building within Research Park located at 585 Komas Drive, Salt Lake City, Utah 84108. Appraiser's File #598ev1116.

Dear Mr. Bates, CPM:

At your request, I have prepared an Appraisal Report on the above referenced property. The purpose of this appraisal is to estimate the Market Value As Is of the leasehold interest. In the As Is condition, the property is improved with a ±61,293 rentable square foot (RSF) office building. The building was originally constructed in 1973 and renovated in 2005. It has an estimated effective age of 20 years and a remaining economic life of 30 years. The building has been occupied by the University of Utah for several years, but is currently being vacated. There are reported negotiations between the owner and ARUP for purchase of the building. The building is within Research Park at the University of Utah. The land is owned by the University of Utah but is subject to a ground lease that will be enforced upon purchase of the building improvements. As such, only the leasehold interest in the building improvements is appraised herein.

The concluded market value as is reflects the leasehold interest. Pertinent market data has been gathered and used for a comparative analysis. An appraisal analysis was then completed in accordance with Standards Rule 1 of the Uniform Standards of Professional Practice (USPAP).

The results of the appraisal have been prepared in the attached Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. The report presents a discussion of the data, reasoning, and analyses that were used in the appraisal process to develop an opinion of market value As Is. The depth of discussion contained in this report is specific to the needs of the client. Finally, this appraisal report conforms with, and is subject to, the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics, and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Specifically, this appraisal conforms to the following guidelines:

- a) Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (12 U.S.C. 3331 et seq.);
- b) The regulations adopted by the Office of the Comptroller of the Currency pursuant to Title XI, including, without limitations, the appendix thereto consisting of excerpts from the Uniform Standards of Professional Appraisal Practice (USPAP), adopted by the Appraisal Foundation (12 CFR Part 34, Subpart C); and
- c) Zion's First National Bank Appraisal Standards.

The client is the University of Utah. Intended users include the University of Utah and ARUP. The intended use is to assist in establishing Market Value for a possible purchase by ARUP. The use of this appraisal report, by the client or by a third party, will mean acceptance of all assumptions and limiting conditions contained in the Letter of Transmittal, Preface, and attached report. The appraiser is not responsible for unauthorized use of this report.

As demonstrated within the attached appraisal report, I am of the opinion that the **Market Value As Is** of the Leasehold Interest (as defined in the attached Report and subject to the definitions, certifications and assumptions set forth in the attached Report), as of November 15, 2016, is:

<p><b>EIGHT MILLION TWO HUNDRED SEVENTY-FIVE THOUSAND DOLLARS</b> <b>\$8,275,000</b></p>
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Based on current market conditions and available market data, it would appear that the subject property as is, if properly marketed, would need an exposure time of 6-12 months. Likewise, being properly marketed, the subject could be sold within a 12-month period from the date of this appraisal.

The values given are subject to the general assumptions and limiting conditions, and specific extraordinary assumptions stated in the report and/or itemized in the preface section of this document. It is important that the reader of this report review and understand all general and specific assumptions and limiting conditions.

The effective date of value as is, is based on the last date of inspection or November 15, 2016. The date of the report is December 14, 2016.

This report has been prepared primarily for your use. As is customary in assignments of this nature, neither my name, my company name, nor the material submitted may be included in any prospectus, in newspaper publicity, or as part of any printed material; or

Mr. Jonathon Bates, CPM  
December 14, 2016  
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used in offerings or representations with the sale of securities or participation interests to the public.

I trust the attached document is sufficient to accomplish its intended function. Please call if I may be of further assistance. Your attention is invited to the attached appraisal report, which provides a discussion of the data collected and the methods used to formulate an opinion of the market value of the above indicated interests on the above-described property.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Eric Van Drimmelen".

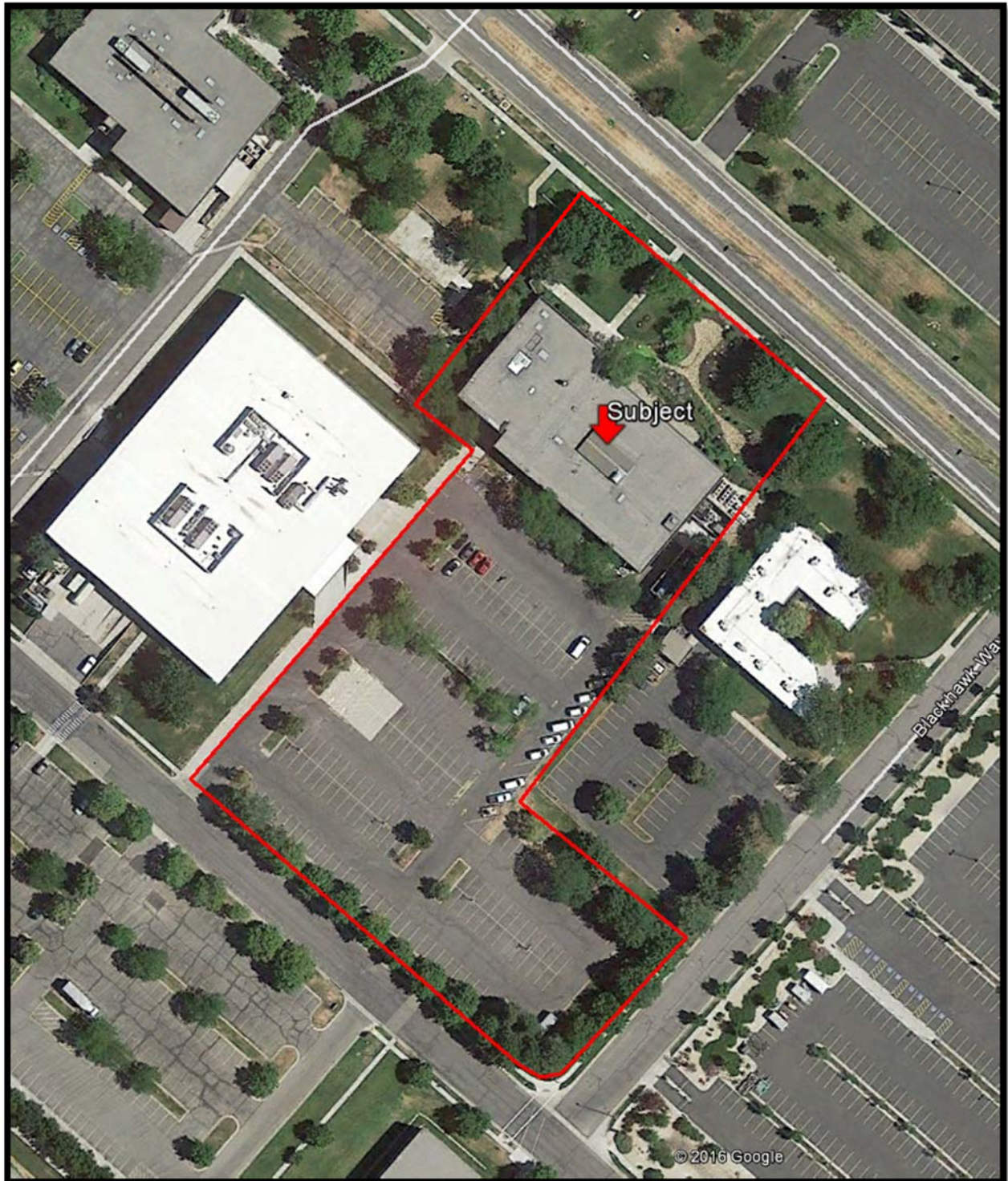
Eric Van Drimmelen, MAI

Utah State Certified General Appraiser Certificate #5463327-CG00, Expires 5-31-18
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Enc.



## AERIAL OF SUBJECT



\* Outlined boundaries are Approximate.



