

January 11, 2017

MEMORANDUM

TO: State Board of Regents
FROM: David L. Buhler
SUBJECT: University of Utah – Property Acquisition

Issue

The University of Utah (UU) requests Board approval to purchase and renovate an office building in Research Park in order to relocate the Continuing Education and Community Engagement (CECE) program. The UU would purchase the property at the appraised value of \$6,400,000 with CECE funds and use CECE funds to renovate the facility at an estimated cost of \$3,014,000.

Background

Regent Policy R710, *Capital Facilities* requires the Board of Regents to approve nonadjacent institutional property purchases that exceed \$100,000. The UU requests Board approval to purchase approximately 39,100 square feet of Class B office space on a 3.84 acre site at 540 Arapeen Drive in Research Park (Salt Lake City) for the appraised value of \$6,400,000.

The property purchase allows the CECE program to relocate from outdated and confined on-campus space. CECE has been housed in the old Annex building at the UU for several decades, which is inadequate to meet current program needs and accommodate future growth opportunities. For the past five years the program has sought new space to meet its functional needs, welcome the community, and be located in close proximity to campus to allow for successful collaboration with academic departments. With additional renovation, the property at Research Park will fulfill the CECE need for modern educational and office space.

In addition to the property purchase, the University also requests approval to renovate approximately 33,800 square feet of the acquired space to properly accommodate the CECE program. The estimated cost of renovation is \$3,014,000 and would not need Building Board or Legislative approval as it falls under the \$3,500,000 threshold for a capital development. The property purchase, renovation, and future operation and maintenance costs will all be funded by CECE funds. No state funds will be requested for operation and maintenance or future capital improvements.

Additional information about this request may be found in the attached letter from the University, an executive summary of the appraisal report with an accompanying map, and budget estimates and floor plans for the renovation project. 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 acquire and renovate property in Research Park for the Continuing Education and Community Engagement program.

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 acquisition of the building located at 540 Arapeen in Research Park and the subsequent renovation project for the relocation of Continuing Education (CE) from the Annex Building on Campus. The purchase price has been set at \$6,400,000 or \$163.33 per square foot (sf) for a total building of 39,185 sf.

Over the last ninety (90) days the following due diligence items have been successfully completed on the property:

- Appraisal (market value conclusion of \$6,400,000)
- Title Report and Insurance Commitment
- Phase I Environmental
- ALTA Survey
- Architectural Feasibility Study

The architectural feasibility study established the following probable costs associated with the subsequent renovation of approximately 33,792 square feet of the facility for CE's use:

• Construction Hard Costs	\$1,912,218	\$56.59/sf
• Code & Deferred Maintenance	\$810,767	\$23.99/sf
• Seller Contribution	(\$500,000)	(\$14.80)/sf
• Construction Soft Costs	\$791,078	\$23.41/sf
• <i>TOTAL CONSTRUCTION COST</i>	<i>\$3,014,063</i>	<i>\$89.19/sf</i>

The following code, deferred maintenance and energy efficiency upgrades include the following:

- Structural and seismic upgrades
- Glazing
- Replacement of one of two existing roof top HVAC units.
- Roof replacement

- Building insulation upgrade

Building acquisition costs and construction costs will be funded by CE cash reserves.

The future anticipated O&M costs are estimated to be ~\$4.86/sf for FY2017-18 and increasing to ~\$8.75/sf upon the expiration of existing 3rd party leases. All future O&M costs will be funded by CE.

Attached for your reference is the University's Construction Budget Estimate as well as the current test fit floor plans detailing CE's planned use.

Thanks, as always, for your consideration and support.

Sincerely,

A handwritten signature in black ink, appearing to read "John Nixon", with a long horizontal flourish extending to the right.

John E. Nixon
Chief Administrative Officer

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

August 16, 2016

Jonathon Bates, CPM
Director, Real Estate Administration
UNIVERSITY OF UTAH
505 Wakara Way, Suite 210
Salt Lake City, Utah 84108

RE: Appraisal of Arapeen Drive Multi-Tenant Office Building
540 Arapeen Drive
Salt Lake City, Salt Lake County, Utah
CBRE, Inc. File No. 15-276SL-0229

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following Appraisal Report.

The subject of this report is the leasehold interest in a 39,181 square foot, two-story, suburban office building located within the Research Park submarket at 540 Arapeen Drive in Salt Lake City, Salt Lake County, Utah. The improvements were constructed in 1973, updated from 1995-2004, and are situated on a 3.84 acre site.

There is currently a ground lease agreement for the subject site in place that expires in November 2052. Therefore, the leasehold interest that we are appraising includes the fee simple interest in the subject improvements (the building) and the leasehold (lessee's) position in the land (which gives the lessee the right to occupy and improve the land but obligates the lessee to make ground-lease payments).

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Leasehold Interest	June 27, 2016	\$6,400,000
Compiled by CBRE			

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were

Jonathon Bates, CPM

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developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and CBRE will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES



Mark D. Raddatz
Appraiser
Utah Licensed Appraiser
#6833421-LA00, exp. 12/31/2016

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Fax: 801-869-8080
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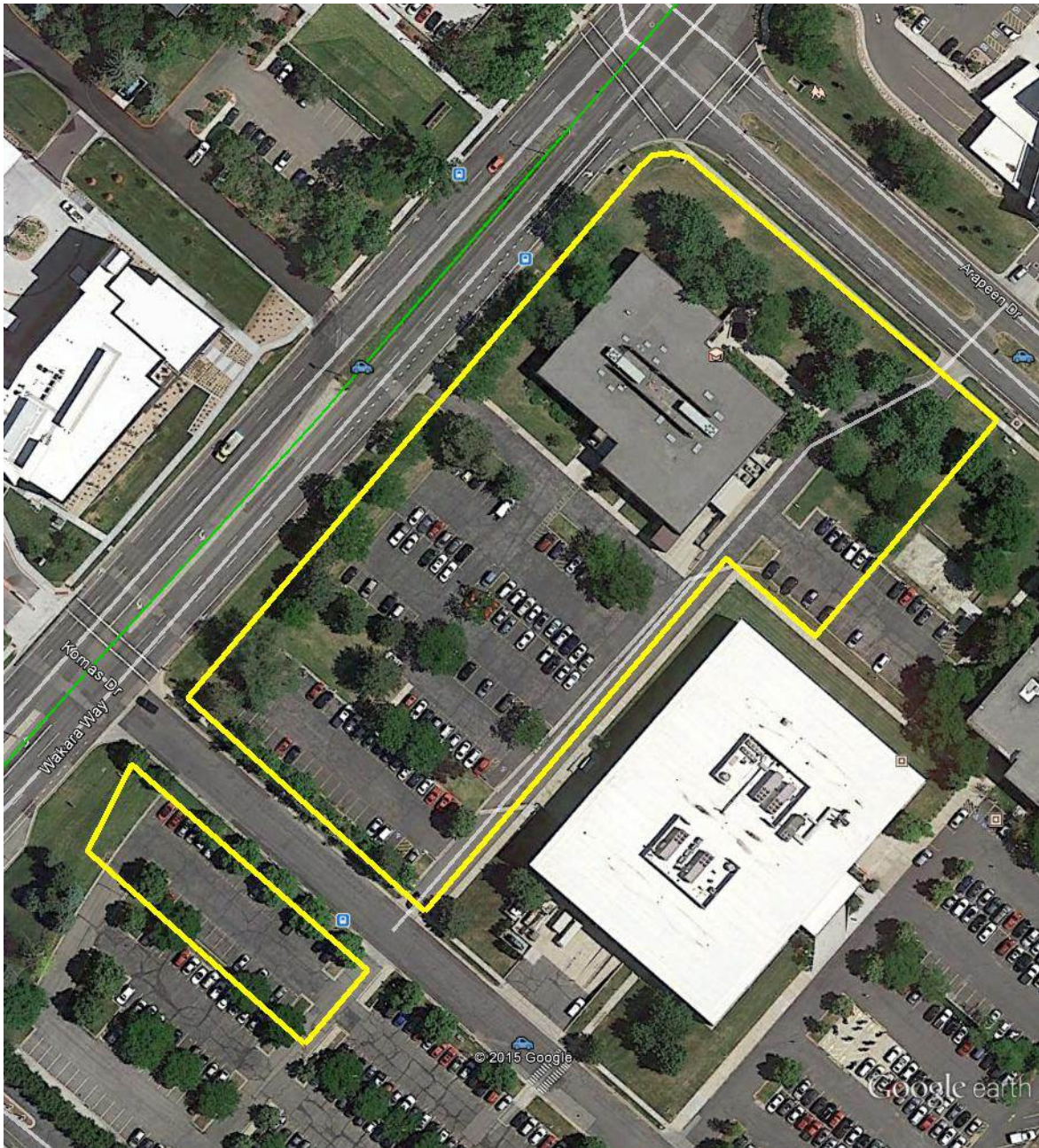


Micheal E. Miller, MAI
Director
Utah Certified General Appraiser
#5482081-CG00, exp. 6/30/2017

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CBRE

Subject Photographs



Aerial View



Typical view of the subject



Typical view of the subject



View of the main entry



View of a typical open office area



View of a typical open office area



View of a typical private office

University of Utah

Capital Improvement Projects

Capital Budget Estimate (CBE)

Project Name:	Continuing Ed. - 540 Arapeen Dr. Remodel - Min. Cost to Move In - Concept Estimate Phase 1		
Client:	Continuing Education		
Project Manager:	Mark E. Grabl		
Cost Summary			
	\$ Amount	Cost Per SF	Notes
Facility Cost	\$ 1,912,218	\$56.59	Minimum Construction Cost
Additional Construction Cost	\$ 310,767	\$9.20	Minimum Code Related Increases
Site Cost	\$ -	\$0.00	
Total Construction Cost	\$ 2,222,985	\$65.78	73.8%
Soft Costs:			
Hazardous Materials	\$ 38,000		
Pre-Design/Planning	\$ -		
Design	\$ 165,390		
Furnishings & Equipment	\$ -	\$	
Information Technology:	\$ 168,960		
Testing & Inspection	\$ 7,500		
Contingency	\$ 291,211	13.10%	
Moving/Occupancy	\$ 20,000		
Builder's Risk Insurance (0.15% of Construction Budget)	\$ 3,334		
UofU Project Management Fee	\$ 50,000		
User Fees	\$ -		
Commissioning	\$ 11,115		
Other Costs	\$ 35,568		
Total Soft Costs	\$ 791,078	\$23.41	26.2%
			1.36
TOTAL PROJECT COST	\$ 3,014,063	\$89.19	
Funding Other Than New State Capital Improvement or CF&R:			
Total Funding Other than St. Cap. Improvement or CF&R	\$ -		
REQUEST FOR CAPITAL IMP. OR CF&R FUNDING	\$ 3,014,063		
Project Information			
Gross Square Feet	33,792	Base Cost Date	8-Dec-16
Net Square Feet	23,654	Estimated Bid Date	1-May-17
Net/Gross Ratio	70%	Est. Completion Date	1-Nov-16
		Last Modified Date	8-Dec-16
		Print Date	1/3/17

