

January 11, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Utah State University – Property Acquisition

Issue

Utah State University (USU) requests Board approval to purchase 43.24 acres in Dayton, Idaho for agricultural research. USU would purchase the property at the appraised value of \$300,000 with institutional revenues.

Background

Regent Policy R710, *Capital Facilities* requires the Board of Regents to approve nonadjacent institutional property purchases that exceed \$100,000. USU requests Board approval to purchase 43.24 acres of agricultural land and 42 shares of water in Dayton, Idaho. The property would be used for tree research as well as crop and livestock production. The University requests approval to purchase the property for the appraised value of \$300,000 using farm commodity revenues. 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 with accompanying exhibits, as well as a summary of the appraisal report. Representatives from Utah State University 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 Utah State University to acquire agricultural land and water shares in Dayton, Idaho.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments

December 19, 2016

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

Subject: Real Property Acquisition

Dear Commissioner Buhler:

Utah State University (USU) desires to acquire a parcel of agricultural land and water shares located at approximately 2000 North 4000 West, Dayton, Idaho as shown on the aerial photo in the attached Exhibit A. The property is 43.24 acres in size and includes 42 shares of water.

The property and water will be purchased from Dayton Perennials for the recently appraised value of \$300,000. Acquiring the property will enable USU to continue its research on the Black Walnut, Pecan, Hazelnut, and Butternut trees located on the property. USU will raise crops for livestock on the portion of ground that has no orchards. Funding for the acquisition and ongoing operation and maintenance costs will be funded by farm commodity revenues. No state O&M funds will be requested at this time.

We appreciate your support and ask that you present this item to the Board of Regents during the January 20, 2017 meeting. This request received Board of Trustees approval on January 6, 2017.

Sincerely,



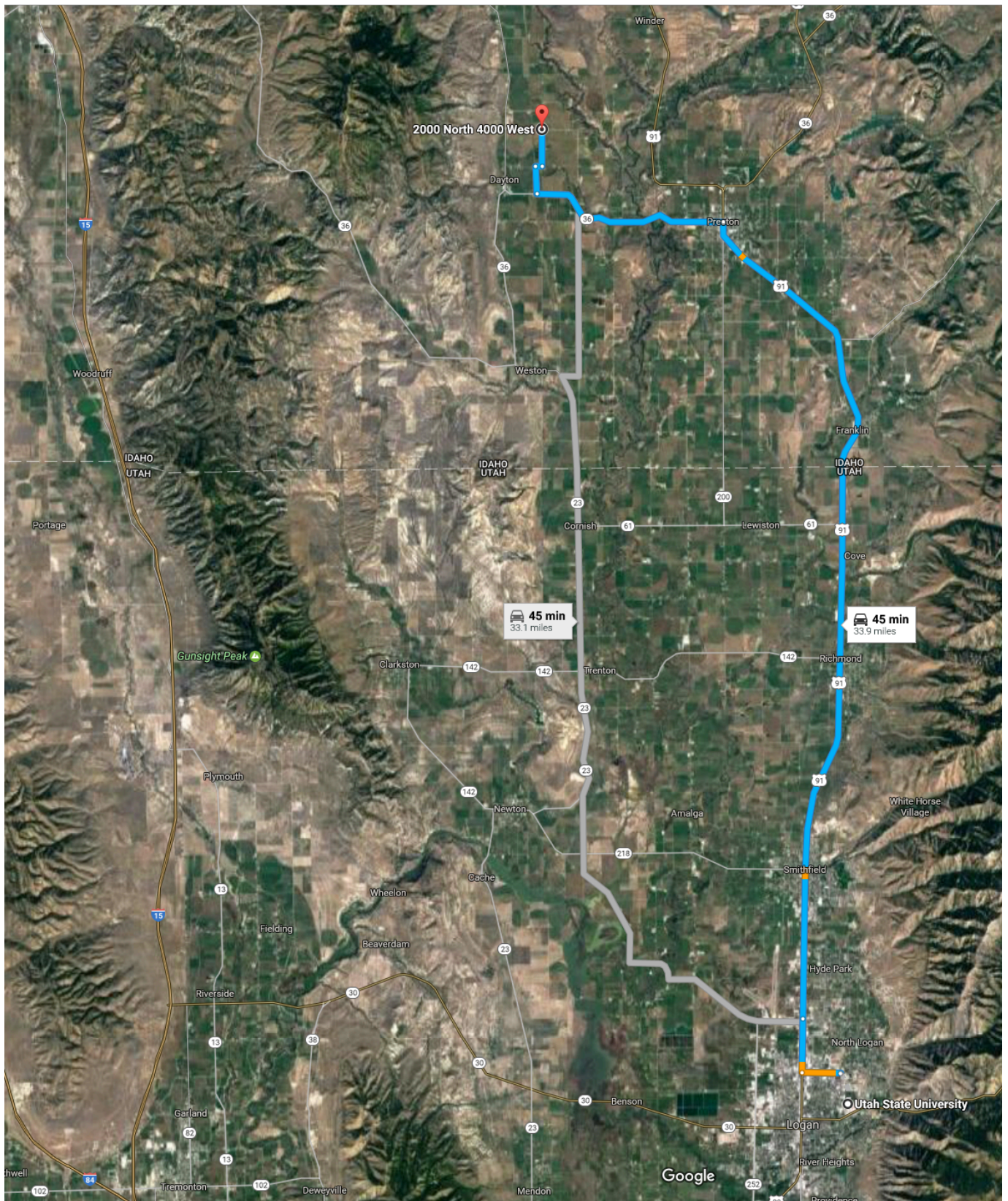
David T. Cowley
Vice President for
Business and Finance

C: Kimberly Henrie, Associate Commissioner for Finance & Facilities
Rich Amon, Assistant Commissioner for Business Operations
Stan Albrecht, President
Charles Darnell, Associate Vice President for Facilities

EXHIBIT A



EXHIBIT B



Uniform Agricultural Appraisal Report

Dayton Perennials, LLC
43.24 Acres
Dayton, Idaho - Franklin County
October 28, 2016



Prepared For:

Dayton Perennials
Attn: Carol Petersen
11895 West 10400 North
Tremonton, UT 84337

Intended User:

Trustee of the Reed and Donna Funk Family Trust

Prepared By:

Craig Warren, ARA
Certified General Appraiser #CGA-188
P.O. Box 32
Smithfield, UT 84335

Date Prepared:

November 1, 2016

Uniform Agricultural Appraisal Report

Property Identification

Owner/Occupant: <u>Dayton Perennials, LLC</u>	Total Deeded Acres: <u>43.24</u>
Property Address: <u>Not identified by county</u>	Effective Unit Size: <u>43.24</u>
State/County: <u>ID / Franklin</u>	Zip Code: <u>83232</u>
Property Location: <u>Within Corporate limits of the City of Dayton, Idaho</u>	Property Code #: _____
Highest & Best Use: <u>Agricultural Investment</u> "As If" Vacant	FAMC Comd'ty Gp: _____
<u>Agricultural Investment</u> "As Improved"	Primary Land Type: <u>Irrg Land</u>
Zoning: <u>Agriculture</u>	Primary Commodity: <u>Alfalfa</u>
Unit Type: <input type="checkbox"/> Economic Sized Unit <input checked="" type="checkbox"/> Supplemental/Add-On Unit	
FEMA Community # <u>Map not available</u> FEMA Map # _____ FEMA Zone/Date: _____	
Legal Description: _____ SEC _____ TWP _____ RNG _____ Attached <input checked="" type="checkbox"/>	
Purpose of Report: <u>Report Market Value, together with relevant market and subject property information and analysis</u>	
Use/Intended User(s): <u>Estate and Family purposes - Reed and Donna Funk Family Trust</u>	
Rights Appraised: <u>Fee Simple</u>	
Value Definition: <u>Market Value</u> Attached <input checked="" type="checkbox"/>	
Assignment: <u>Appraisal</u> Report Type: <u>Summary Report</u>	
Extent of Process/Scope of Work: A physical inspection of the subject property was completed on October 28, 2016. Carol Petersen was interviewed about the property marketing, production, and improvements. Additional information on the subject property was obtained from government and private sources. Comparable sales were researched and inspected. The sales comparison and income approaches to value were completed and were determined to be applicable and reliable in this instance. (see additional comments on next page.)	

Summary of Facts and Conclusions

Appraisal Report Summary

Date of Inspection: <u>10/28/16</u>	Effective Date of Appraisal: <u>10/28/16</u>
Value Indication	
- Cost Approach: _____	\$ <u>300,165</u>
- Income Approach: _____	\$ <u>331,718</u>
- Sales Comparison Approach: _____	\$ <u>N/A</u>
Opinion of Value: <i>(Estimated Marketing Time <u>6-12</u> months)</i>	\$ <u>300,000</u>
Cost of Repairs: \$ <u>0</u>	Cost of Additions: \$ <u>0</u>
Allocation:	
Land: \$ <u>259,275</u>	\$ <u>5,996</u> / acre (<u>86</u> %)
Land Improvements: \$ _____	\$ <u>0</u> / acre (<u>0</u> %)
Structural Improvement Contribution: \$ <u>37,350</u>	\$ <u>864</u> / acre (<u>12</u> %)
Non-Realty Items: \$ <u>3,375</u>	\$ <u>78</u> / acre (<u>1</u> %)
Leased Fee Value <i>(Remaining term of encumbrance _____)</i>	\$ <u>0</u> / (<u>0</u> %)
Leasehold Value: _____	\$ <u>0</u> / (<u>0</u> %)
Overall Value: \$ <u>6,938</u> / acre (<u>100</u> %)	
Income and Other Data Summary: <input checked="" type="checkbox"/> Cash Rent <input type="checkbox"/> Share <input type="checkbox"/> Owner/Operator <input type="checkbox"/> FAMC Suppl. Attached	
Income Multiplier _____ ()	Income Estimate: \$ <u>164.06</u> / acre (unit)
Expense Ratio <u>23.78</u> %	Expense Estimate: \$ <u>39.01</u> / acre (unit)
Overall Cap Rate: <u>1.63</u> %	Net Property Income: \$ <u>125.05</u> / acre (unit)

Area-Regional-Market Area Data and Trends:

	Above Avg.	Avg.	Below Avg.	N/A
Value Trend	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sales Activity Trend	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Effective Purchase Power	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Demand	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development Potential	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Desirability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Subject Property Rating:

	Above Avg.	Avg.	Below Avg.	N/A
Location	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Soil Quality/Productivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improvement Rating	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rentability	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Market Appeal	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overall Property Rating	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

USPAP, Organizational, or Other Requirements

Report Type:	Summary Report		
Date of Inspection:	10/28/16	Date of Value Opinion:	10/28/16
		Date of Report:	11/1/16

Scope of Work *(Describe the amount and type of information researched and the analysis applied in this assignment. The Scope of Work includes, but is not limited to the degree and extent of the property inspection; the extent of research into physical and economic factors affecting the property; the extent of data research; and the type and extent of analysis applied to arrive at the opinions or conclusions. Additionally, describe sales availability & ability to demonstrate market - "as vacant" - and "as improved" if applicable - or describe sales available to form value opinion "as completed" or proposed if requested; describe income sources and ability of income to support existing or proposed construction; discuss extent of third party verification of RCN, if applicable.):*

An appraisal is an orderly process wherein the data utilized in estimating the value of the subject property is acquired, classified, analyzed and presented. The first step in this process involves defining the appraisal problem as to the identification of the property rights being appraised, and the type of value being sought. Once this has been accomplished, the appraiser embarks upon a data collection and analysis program of factors which effect the market value of the subject property including area and neighborhood analysis, land and improvement analysis, highest and best use analysis, and the application of the available approaches to value which are generally, the Cost Approach, the Income Approach, and the Sales Comparison Approach.

GENERAL DATA COLLECTION, CONFIRMATION AND REPORTING

During the physical inspection of the subject property, factual information regarding the subject property was gathered from the owner, Natural Resources Conservation Service, County Courthouse, and the Farm Service Agency. Area-regional and neighborhood information along with market conditions was compiled from: Chamber of Commerce Brochures, United States Census publications, United States Department of Agriculture publications, Idaho Agricultural Census, and the 2016 Economic Report to the Governor. The highest and best use opinion was developed from factual information of the subject property, the area and neighborhood data, and zoning regulations obtained from the County Courthouse.

SALES DATA COLLECTION, CONFIRMATION, AND REPORTING

The scope of the data includes information on sales in Franklin County, Idaho. The search for comparable sales in the subject area for comparison to the subject property consisted of three steps: 1) review of the appraiser's sales database, 2) conversations with local real estate professionals, loan officers, appraisers and local landowners, & 3) research of public records and deeds. The appraiser completed on-site inspections of the sales and verified them by either the buyer, seller, courthouse records, real estate agent, or other knowledgeable persons. Factual information regarding the comparable sales has been gathered from the property owner/operator, tenant, Natural Resources Conservation Service, the County Courthouse, and the Farm Service Agency.

Subject Property Sale & Marketing History: *(Analyze and report any agreements of sale, options, or current listings as of the date of the appraisal - and all sales within three (3) years prior to the effective date of appraisal. For UASFLA assignments, report the details of the LAST SALE OF THE SUBJECT - no matter when it occurred):* The subject property has been owned by the Funk family for several years. A For Sale sign was placed on the property and a listing on KSL.com was active for about 6 months with an asking price of \$300,000. Real Estate agents were also contacted, but the property was not listed. A verbal offer of \$225,000 was received.

Market Conditions *(Volume of Competing Listings, Volume of Sales, Amenities Sought by Buyers):* The market has been active over the past two years. There are a few recent sales of farm acreages in the area. Most buyers in the market are neighboring land owners wanting to expand their operations.

Approaches to Value *(Explain Approaches Used and/or Omitted):* The subject includes building improvements with contributory value. The cost approach is applicable in this instance. The Income Approach is not as reliable due to the lack of truly comparable sales and also because comparable sales have relatively low cap rates. Low rates translate into highly volatile value estimations with the slightest change in income or expense. The approach has been used in this instance. There are no recent sales of farm properties that included a metal building similar to the subject building. For this reason, the sales comparison approach was not used in this instance. The cost approach was determined to be the most applicable and reliable in this instance.

Appraiser Certification

I certify that, to the best of my knowledge and belief:

1. the statements of fact contained in this report are true and correct.
 2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analysis, opinions, and conclusions.
 3. I have ☒ no ☐ the specified present or prospective interest in the property that is the subject of this report and I have ☒ no ☐ the specified personal interest with respect to the parties involved.
 4. I have performed ☐ no ☒ the specified services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
 5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
 6. my engagement in this assignment was not contingent upon developing or reporting predetermined results.
 7. my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
 8. my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
 9. I ☒ have ☐ have not made a personal inspection of the property that is the subject of this report.
 10. ☒ no one ☐ the specified persons provided significant real property appraisal assistance to the person signing this certification.
- I appraised the subject property along with two other parcels in December 2013.

Effective Date of Appraisal: 10/28/16

Opinion of Value: \$ 300,000

Appraiser:

Signature: Craig Warren, ARA

Name: Craig Warren, ARA
 License #: CGA-188 (Idaho)
 Certification #:

Property Inspection: ☒ Yes ☐ No
 Inspection Date: 10/28/16

Appraiser has ☒ inspected ☒ verified ☒ analyzed the sales contained herein.

Date Signed: 11/01/16