

November 7, 2018

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Property Acquisition

Issue

Regent Policy R703, *Acquisition of Real Property* requires the Board of Regents to approve institutional property purchases that exceed \$500,000. The University of Utah requests Board approval to purchase approximately 90 acres of vacant land in the Daybreak development of South Jordan for \$10,570,000 using institutional funds.

Background

The University of Utah has the opportunity to purchase vacant property just north of the current South Jordan Health Center in the Daybreak development of South Jordan. The property consists of 89.58 acres of vacant land bounded by Mountain View Corridor on the west, the UTA South Jordan Parkway TRAX Station on the east, South Jordan Parkway on the south and a future Bingham Rim Road to the north. The property includes approximately 18 acres of a high-voltage utility easement. The property appraised for \$20,400,000 and the University negotiated with the seller to purchase the property for \$10,570,000. The seller will donate half of the property to the University and discount the 18 acres of property that are encumbered by a utility easement.

The University of Utah requests authorization to acquire the 89.58 acres as a land bank for future use. The University does not currently have plans to develop the proposed property, but recognizes the value of acquiring property with access to a TRAX station that connects to both the main campus and the South Jordan Health Center. The University will keep the Board informed as plans for the use of this property develop and will ensure that the property use best meets the needs of both the University and the System.

Additional information about this request may be found in the attached letter from the University, the executive summary of the property appraisal, and a presentation that includes maps of the property. 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 property located in the Daybreak development of South Jordan, Utah as proposed.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachments

October 19, 2018

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' to proceed with closing on the acquisition of 89.5 acres of vacant land in the Daybreak community in South Jordan, Utah. The purchase price has been set at approximately \$10,570,000 and closing would be contingent on the completion of the following due diligence items:

- Appraisal (completed and provided a valuation of \$20.4M)
- Title Report and Insurance Commitment
- Phase I Environmental
- ALTA Survey

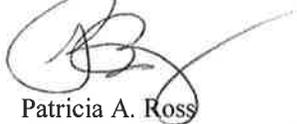
This acquisition is being made strategically in order to leverage the current financial opportunities represented in the purchase terms. The University will then begin developing more indepth master plans once academic programming is completed to guide the development of the University's first major satellite campus. Additional details on this request can be found in the attached slides.

The University of Utah's Board of Trustees approved this acquisition during its meeting on October 9, 2018.

Accordingly, Jonathon Bates, Executive Director of Real Estate Administration, would appreciate an opportunity to present this purchase to the Finance and Facilities Committee at the November 16, 2018 Board of Regents meeting.

Thanks, as always, for your consideration and support.

Sincerely,



Patricia A. Ross
Chief Business Strategy Officer

c: Dr. Ruth V. Watkins
Dr. Kimberly Henrie
Richard P. Amon
Jonathon Bates

August 22, 2018

Mr. Jonathon Bates
UNIVERSITY OF UTAH
505 Wakara Way, Suite 210
Salt Lake City, Utah 84108

RE: Appraisal of: Daybreak Land
East side of Mountain View Corridor, North of South Jordan Parkway
South Jordan, Salt Lake County, Utah
CBRE, Inc. File No. 18-271PH-2050-1

Dear Mr. Bates:

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 is a 92.431-acre tract of vacant land located at East side of Mountain View Corridor, North of South Jordan Parkway in South Jordan, Utah. The property is located within the Daybreak Master Planned Community and is part of the commercial corridor approved within the community.

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	Fee Simple Estate	August 13, 2018	\$20,400,000
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 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), and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

Mr. Jonathon Bates

August 22, 2018

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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. As a condition to being granted the status of an intended user, any intended user who has not entered into a written agreement with CBRE in connection with its use of our report agrees to be bound by the terms and conditions of the agreement between CBRE and the client who ordered 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 any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

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



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Vice President
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CBRE



THE UNIVERSITY OF UTAH

Daybreak Land Acquisition

Presented by:

Jonathon Bates

Executive Director – Real Estate Administration

November 16, 2018



THE UNIVERSITY OF UTAH

Recommendation

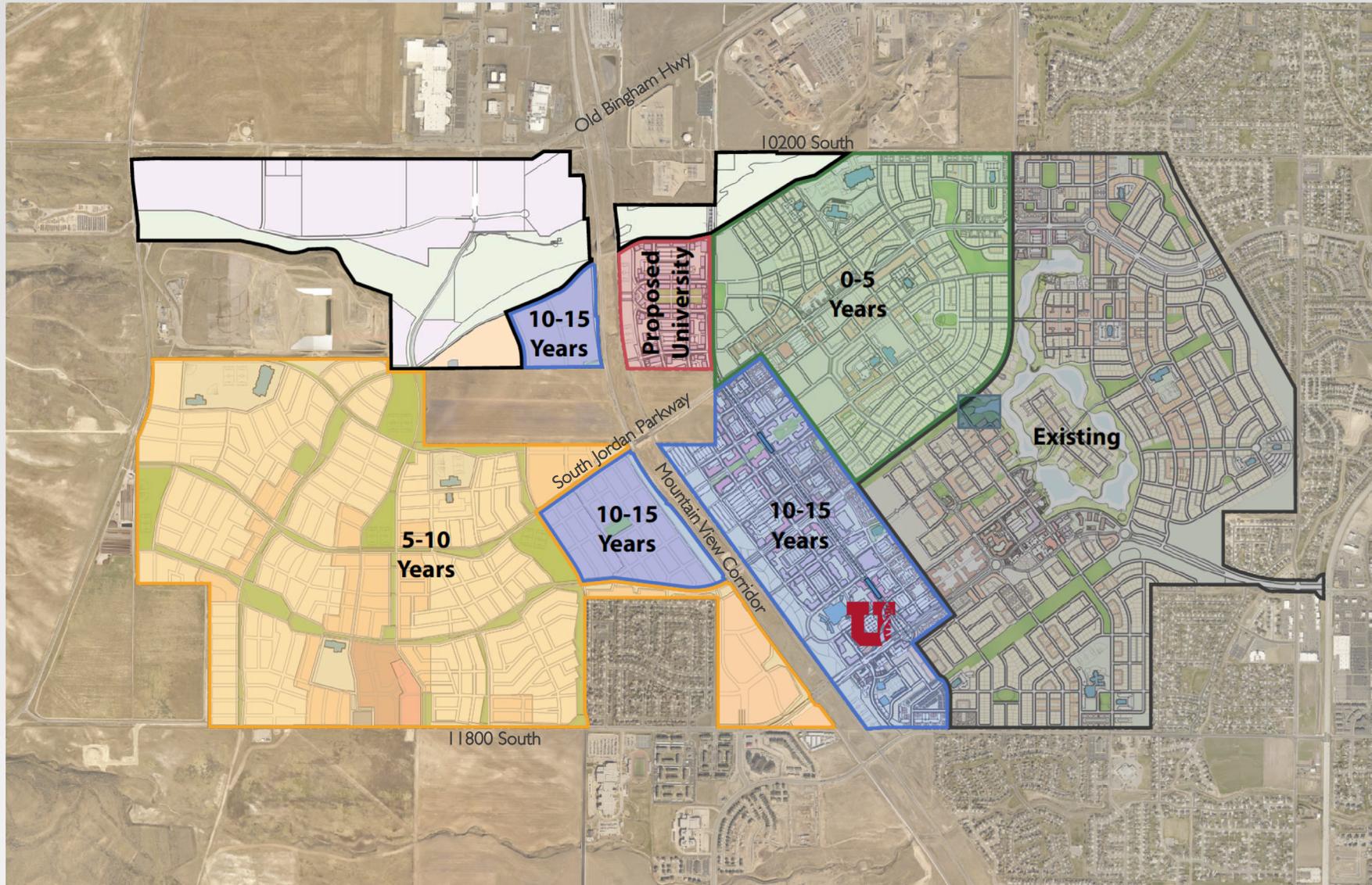
Approval to close on the acquisition of 89.5 acres of vacant land in the Daybreak community in South Jordan, Utah.

- *Contingent on successful completion of due diligence items.*



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Daybreak Land Acquisition





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Purchase Price & Donation

Seller will convey half (1/2) of the Land to the University as an outright donation and the remainder of the land shall be purchased as follows:

- \$250,000/acre or \$5.74/sf
 - 71.6 acres: ~\$8.95M
- Acreage encumbered by a utility easement shall be reduced by \$1.60/sf
 - 18 acres: ~\$1.62M
- TOTAL PURCHASE PRICE: ~\$10.57M
 - Effective rate per acre: \$118k

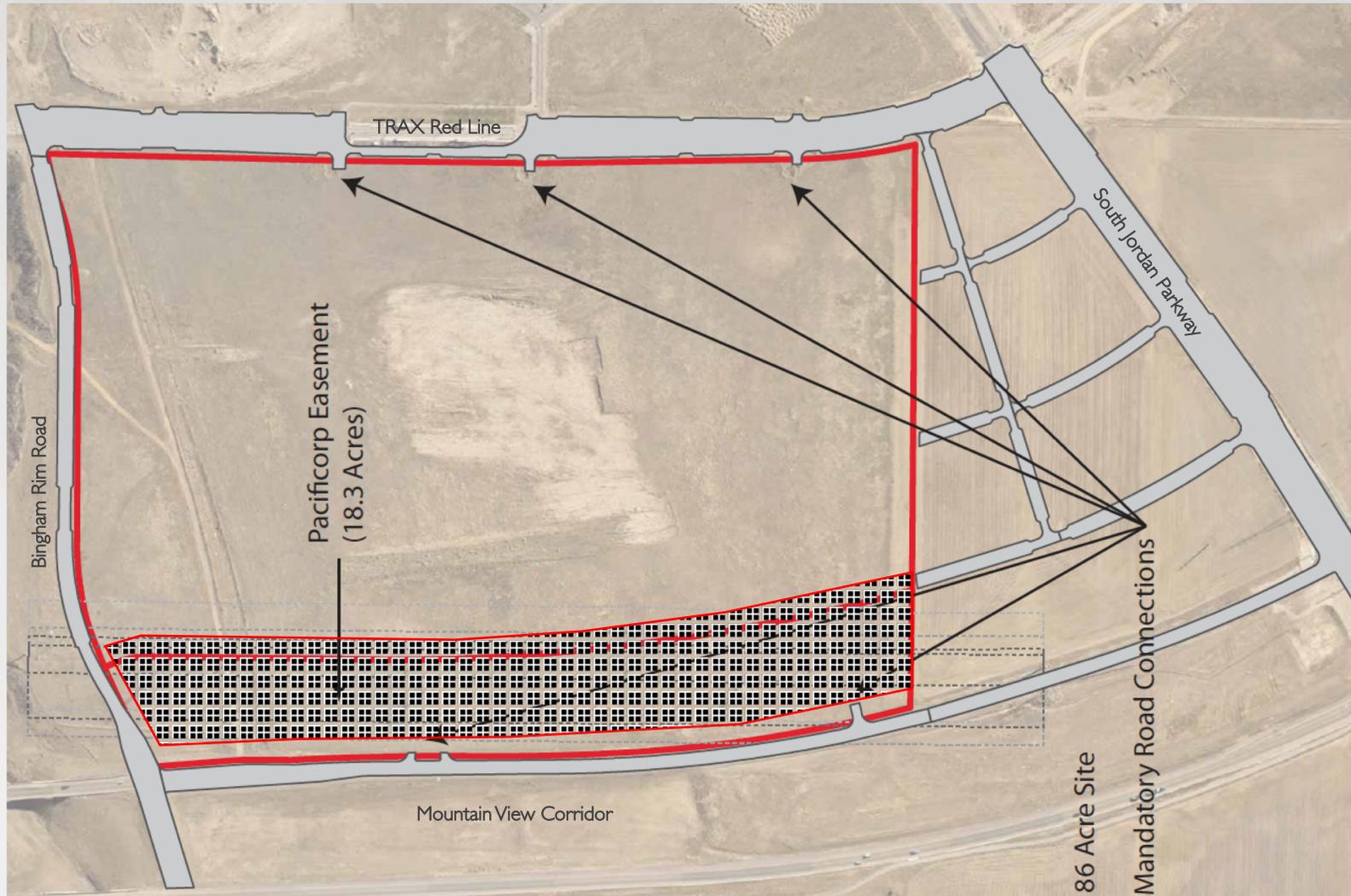
Purchase shall be paid in three interest free installments (\$3.5M each):

- 1/3 at closing (first half of January 2019)
 - 1/3 on or before July 15, 2019
 - 1/3 on or before July 15, 2020
-
- Appraisal provided a valuation of \$20.4M.



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Site Constraints





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Recommendation

Approval to close on the acquisition of 89.5 acres of vacant land in the Daybreak community in South Jordan, Utah.

Purchase price to be ~\$10.57M made via three interest-free installments.

- Approval to be contingent on successful completion of necessary due diligence items (Environmental Surveys, ALTA Survey, Geotechnical Report still outstanding).