

STATE BOARD OF REGENTS
EXECUTIVE COMMITTEE MEETING

August 29, 2006

8:00 a.m.

Minutes

Regents Participating:

Jed H. Pitcher, Chair

Bonnie Jean Beesley, Vice Chair

Jerry C. Atkin

James S. Jardine

Michael R. Jensen

Nolan E. Karras

Office of the Commissioner

Richard E. Kendell, Commissioner

Joyce Cottrell, Executive Secretary

Amanda K. Covington, Director of Communications

Mark H. Spencer, Associate Commissioner for Finance and Facilities

Kevin Walthers, Assistant Commissioner for Finance and Facilities

Others

Thomas C. Anderson, Office of the Attorney General

Cynthia A. Bioteau, President, Salt Lake Community College

Dennis R. Klaus, Vice President for Administrative Services, Salt Lake Community College

Sheena McFarland, *Salt Lake Tribune*

Joy Tlou, Salt Lake Community College

Jennifer Toomer-Cook, *Deseret Morning News*

Chair Pitcher thanked everyone for their attendance and asked Secretary Cottrell to call the roll. After a quorum had been established, Regent Jardine moved the Executive Committee go into executive session to consider a real property transaction due to extraordinary and emergency circumstances, as authorized in Regents' Policy R120, § 3.6.2.2. Regent Jensen seconded the motion, which carried. Representatives of the media left the meeting.

Commissioner Kendell explained to the Executive Committee that the purpose of the meeting was to discuss an offer for the purchase of the Salt Lake Community College Metro Learning Center located in downtown Salt Lake City. The offer is for \$5.2 million. The buyer is Property Research, Inc., and a Purchase and Sale Agreement has been duly signed and executed by Mark B. Gibbons on behalf of the buyer. It was noted that PRI is the real estate arm of The Church of Jesus Christ of Latter-day Saints.

Commissioner Kendell reviewed that SLCC and the State Board of Regents had entered into a lease agreement a few years ago for the use of this facility. Subsequent to that arrangement, a bankruptcy proceeding led the Regents to determine the best course to follow would be to purchase the facility from the bankruptcy trustee, thereby releasing the college from any previous financial obligations on the building. Following some capital/seismic improvements to the property, the college has offered programs there for

students and downtown businesses, but the volume has not been as high as anticipated. College officials believe the building is not sized nor located appropriately for a downtown setting and that this is a good opportunity for the college to sell the facility.

The original purchase price for the building was \$4,492,023. Capital improvements added another \$1,157,778 to the cost, for a total investment of \$5,649,801. The balance on a note to Zions Bank is \$4,527,696. If the offer is accepted, the college will be able to remain in the building rent-free through Fall Semester. There are no commissions or fees attached to the purchase offer, giving SLCC \$650,000 in other considerations. The purchase price would allow college officials to pay off the note to Zions Bank and the RDA funding and make it possible for the Regents not to have to seek revenue bonds or other financing for the facility.

Regent Atkin asked if there were any reason why the Regents should not approve the sale. Commissioner Kendell said there is much uncertainty concerning the downtown area. The LDS Church now owns the adjoining ZCMI Mall, as well as the Crossroads Mall across the street. We do not know what the Church will do with this property, nor what the city or mayor intend to do in the downtown area. The LDS Church is the most logical buyer for the building. The purchase price offered is the average of the two appraisals done on the property.

Regent Jardine pointed out the wide disparity in the two appraisals (\$4.375 million in December 2005 and \$6 million in July 2006) and asked if property values in the downtown area had generally increased to that degree and if property values were stable at this point. He asked if another buyer was likely to offer a higher price. Commissioner Kendell said no inquiries had been received on the property for the past two years. Regent Jardine said he had worked with both appraisers and had found them to be reliable.

President Bioteau pointed out for every month the college owns this facility, it is going further into debt. Decline in enrollments and uncertainties involving the downtown area led college officials to believe it would be wise to accept this offer and sell the facility. The college can rent property downtown at a much more reasonable rate (\$15 per square foot).

Regent Karras said he was supportive of the sale. Because this is an open process, the Regents need to be as thorough as possible and ensure that the best business deal is made. President Bioteau said the buyer had requested a closing date of no later than October 6, but they would appreciate being able to move more quickly. They are eager to have the property as soon as possible.

Regent Jensen asked if classes were currently being held in the facility. President Bioteau said 600 students were currently enrolled for Fall Semester.

Vice Chair Beesley expressed the opinion that there is no financial benefit to postponing the decision because the college continues to lose money on this property. Regent Jardine suggested the Executive Committee agree to the sale but ask Commissioner Kendell to make a few inquiries to determine if this was a fair price for the downtown market.

The Commissioner said he would be more comfortable if the sale were approved but would be happy to get more information. He was confident \$5.2 million was a good price and said he would rather not have conditions attached to any motion in the open meeting. Mr. Anderson clarified if conditions were attached to the motion, very specific parameters must be given to the Commissioner.

Commissioner Kendell pointed out the college does not have permanent financing for this facility. They have a short-term note with Zions Bank, and RDA funding with some conditions attached. While it may be possible to renew the note with Zions Bank, continued RDA financing is unlikely. The facility would have to qualify as a state project for permanent funding or non-state funding as a revenue generator. The latter is not an option. The prospect of taking this project to the Legislative Capital Facilities Appropriations Subcommittee to secure permanent funding is not hopeful, given the fact that the facility continues to lose money. Vice President Klaus pointed out that the ability to remain in the building, rent-free, for the remainder of this semester is an unlikely benefit from any other buyer.

Regent Karras pointed out approval by the Regents does not authorized acceptance because a real estate contract must still be signed. Commissioner Kendell agreed and said again he thought this would be a good business transaction.

Regent Atkin moved the Executive Committee go back into open session. The motion was seconded by Vice Chair Beesley and carried. Media representatives rejoined the meeting, which reconvened in open session at 8:50 a.m.

Commissioner Kendell summarized the transaction for the benefit of the media. An offer has been received to purchase the SLCC Metro Learning Center through a Purchase and Sale Agreement presented through DFCM on behalf of the state. The offer is from Property Reserve Inc. (PRI), the real estate arm of the LDS Church. The offer is for \$5.2 cash and other considerations for a total package price of \$5.85 million. The college would be allowed to remain in this location, rent-free, throughout Fall Semester with no commissions and/or fees attached to the transaction. The original purchase price for the facility was \$4,492,023. A balance of \$4.5 million remains on the note, which is temporary funding. Regent Jensen noted \$1.5 million had been spent on capital improvements after the property was purchased for \$4.5 million, making the college's total investment \$5.65 million.

The Commissioner recommended the Executive Committee proceed with the purchase and sale agreement. SLCC has indicated their intent to have a continuing presence in the downtown Salt Lake City area but would prefer a location that is better sized and located, to be more responsive to student and business needs.

In light of the extraordinary circumstances, Regent Karras moved the Executive Committee approve the sale by SLCC of their Metro Learning Center for a minimum value of \$5.2 million, while acknowledging \$650,000 of savings from rent, interest and other factors. The motion included authorization for the Commissioner to finalize details of the sale and encourage a closing date as soon as possible. Regent Atkin seconded the motion, which was unanimously adopted.

A motion to adjourn was offered and seconded at 8:54 a.m. Chair Pitcher thanked everyone for their participation.

Joyce Cottrell CPS, Executive Secretary

Date Approved