Utah State University – Proposed Sale of Two Buildings and Ground Lease with Private Developer

Chair Pitcher called the meeting to order at 4:00 p.m. Commissioner Kendell said the background information had been sent to the Regents’ Executive Committee. The issue is the sale of two buildings on USU’s Innovation Campus.

President Albrecht said the USU Board of Trustees had met via conference call the previous day to discuss this issue. Everything has been appropriately reviewed and his board unanimously supported the transaction.

Vice President Weinshenker introduced himself. His areas of responsibility include the Innovation Campus, U-STAR, technology and ventures. Last year, the InTech charter high school was founded in Logan. That school leased space in the original building on the Innovation Campus (RP-1). The arrangement worked well for the first 150 students. Last fall, however, the high school anticipated a future enrollment of 300 for all four years. An architect was hired to make building RP-2 useable, but problems were encountered. The decision was to build an addition which would fit between the two buildings. Funding failed to come through with that project. A developer, Woodbury Corporation, agreed to help with this project. (Building onto the original structure would not be completed by this fall.)
It was decided that building RP-2 would be divided, with half to be used by the high school and the other half to be rented as a multi-tenant facility. Because the renovation costs would exceed one million dollars, the developer agreed to pay less than the appraised value, which was $1.23 million for RP-1 and $710,000 for RP-2. The ground lease revenue will be $15,700 per acre per year. The lease is for 40 years, with a 10-year option to renew. This represents a $55,000 annual income from the ground lease. There is also an escalation factor of 6 percent every three years for the first 40 years, then 7½ percent thereafter.

Associate Commissioner Spencer pointed out the existence of charter high schools on several institutional campuses. The Jordan School District voted to bond for the Itineris High School on SLCC’s Jordan Campus. A partnership exists between the University of Utah and the Academy for Math, Engineering and Science (AMES). Arrangements vary, but partnerships do not generate income. President Albrecht said these facilities were built and owned by a private developer and reverted to Utah State University. This is the case on many research campuses.

Chair Pitcher asked if all of the buildings to the east would be removed. President Albrecht said several buildings had already been removed. A total of 77 different kinds of buildings and facilities will be moved to the south farm area. This allows for expansion of the Innovation Campus from 38 acres to 150 acres.

Associate Commissioner Spencer asked if the Woodbury Corporation would be giving the University cash. Vice President Weinshenker said yes; it will net the University approximately $2 million. USU received $60 million in the U-STAR Initiative to build a new Bio-Innovations Institute. The University needs $10 million of matching (non-state) funds. A building valued at $10 million is being used as an in-kind donation for the University’s portion of the U-STAR building.

Vice President Weinshenker thanked the Regents’ Executive Committee for meeting at such short notice.

Regent Jardine moved approval of the sale of buildings RP-1 and RP-2 and of the ground lease with the buyer. Vice Chair Beesley seconded the motion, which carried.

Chair Pitcher thanked the other Regents for making time for this important call. The meeting adjourned at 4:18 p.m.

Joyce Cottrell CPS, Executive Secretary