

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: March 15, 2011

Agenda Item: Minnesota State College – Southeast Technical Property Disposition

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 6.7, Subd. 1 requires that all sales of real property valued at or greater than \$250,000 shall be approved by the Board of Trustees. The Board declared as surplus the Southeast Technical College Aviation Center property during its meeting in January 2009, requiring the college to return to the Board for approval of the sale.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Brian Yolitz, Associate Vice Chancellor Facilities

Outline of Key Points/Policy Issues: The purpose of this request is to seek Board of Trustees approval for the sale of the Minnesota State College – Southeast Technical Aviation Training Center building for \$2.25 million to a local manufacturing firm.

Background Information: The Aviation Training Center is situated on a 100 year ground lease from the City of Winona at the Winona airport, and was financed in 1992 with approximately \$4.6 million worth of state bonds. The college discontinued its aviation maintenance program in 2007, and no longer has any aviation-related programs to place in the building. The college seeks to sell the property and utilize the proceeds for capital projects or work at its main campus.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION
Minnesota State College – Southeast Technical Property Disposition

BACKGROUND

The purpose of this report is to seek Board of Trustees approval for the sale of the Minnesota State College – Southeast Technical Aviation Training Center building for \$2.25 million. Two aerials showing the location of the Aviation Training center are contained on Attachment A for reference. The Board declared the Aviation Training Center as surplus property in January 2009. In that action, the Board authorized the college to explore selling the property, and made the sale subject to final board review and approval.

The Aviation Training Center facility was constructed on airport land leased from the City of Winona on a 100-year ground lease that began November 9, 1990. The ground lease contains language that would terminate the lease if the college no longer used the property for technical college purposes. Ground rent is \$1.00 per year. The construction of the aviation training building was financed using a blend of general obligation bonds and local matching funds. During the 1990 legislative session, the legislature appropriated \$4,666,000 for the remodeling and construction of the Aviation Training Center. The project cost was \$5,489,000, with state appropriation accounting for 85% of the funding. The remaining \$823,000, a 15% match, came from local funding sources. The 71,650 square foot facility opened in 1992. The remaining state debt is scheduled to retire in 2016. As of 2011, there is approximately \$300,000 of total outstanding state debt remaining on the building.

Ordinarily, proceeds from the sale or disposition of land or improvements are appropriated to the board for use on capital projects at the institution that was responsible for management of the land or improvement, after paying all expenses incurred in selling or disposing of the land and paying any amounts due under Minnesota Statute §16A.695. As noted above, outstanding state debt remains on the building, which must be retired at closing. As this is the Minnesota State Colleges and Universities first instance of selling property with outstanding general obligation debt, clarifying legislation was obtained for this transaction during the 2009 legislative session that allowed the college to retain the sale proceeds after paying all expenses and the remaining debt service. The legislature required the board to use the sale proceeds for capital project(s) at the Winona campus.

DETAILS

After the board declared the property surplus, the college immediately offered the property for sale to the city, port authority, county, and school district consistent with statutory requirements. No local jurisdiction expressed an interest in purchasing the

property. The college then advertised the sale in the Winona newspaper, and maintained an ongoing advertisement on the Minnesota State Colleges and Universities Facilities web site. There were no written responses to the advertisement until a local manufacturing firm, Plasticomp, expressed interest and negotiations commenced.

Negotiations with the prospective buyer focused on a number of issues, most notably, price and assurances that the city of Winona would agree to assign the ground lease. The city, in consultation with the FAA, determined that it could not agree to assign the ground lease to the buyer. In addition, the city indicated that it could not commit to a new ground lease longer than 30 years. Eventually, the prospective buyer agreed in principle to the 30 year lease term. Further negotiations solidified the ground lease terms between the buyer and city of Winona. Provided the Board approves the sale, the ground lease will be submitted to the Winona city council for final approval.

During the course of negotiations with Plasticomp, the real estate market deteriorated significantly. The originally appraised values for the site were between \$3.6-\$4.2 million from two prior appraisals in 2006 and 2008. As the ground lease and other issues were resolved, Plasticomp made a written offer to purchase the property for \$2.1 million in November 2010. Given the disparity between previous appraised values, the college sought an updated appraisal. While the updated appraisal was sought, the buyers improved their offer to \$2.25 million. The updated appraisal obtained in February 2011 supports the buyer's latest offer and the state of the market.

The college anticipates leasing some space back from the Buyer on a short term basis after the closing, as it starts to consolidate programs to its main campus.

RECOMMENDED COMMITTEE ACTION:

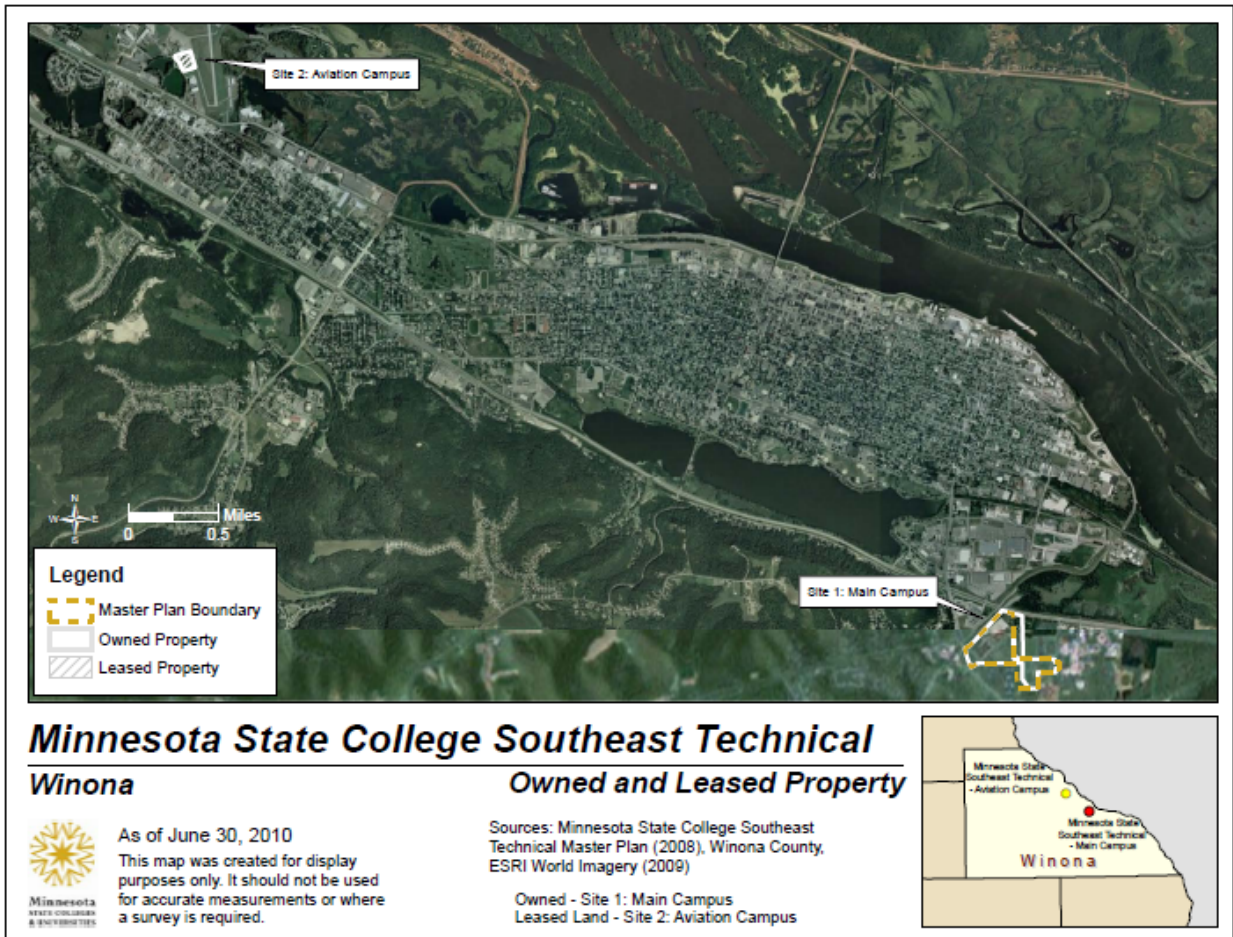
The Facilities/Finance Policy Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees approves and authorizes the sale of the Aviation Training Facility operated by Minnesota State College – Southeast Technical at the Winona Municipal Airport for \$2.25 million, and directs the Chancellor or his designee to execute all necessary documents and fulfill the processes necessary to complete the conveyance in compliance with the above terms and conditions.

RECOMMENDED MOTION:

The Board of Trustees approves and authorizes the sale of the Aviation Training Facility operated by Minnesota State College – Southeast Technical at the Winona Municipal Airport for \$2.25 million, and directs the Chancellor or his designee to execute all necessary documents and fulfill the processes necessary to complete the conveyance in compliance with the above terms and conditions.

Date Presented to the Board: March 16, 2011



Attachment A (2 of 2)

