

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

Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: April 23, 2014

Title: Authorization to Negotiate Third Party Housing Agreement at Central Lakes College

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Central Lakes College in Brainerd identified housing pressures that are detrimentally impacting their ability to recruit and retain students. The Board is asked to authorize further negotiations with the Central Lakes College Foundation to finance, construct and operate student housing on the Brainerd campus of Central Lakes College.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

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

BOARD ACTION

**Authorization to Negotiate Third Party Housing Agreement at
Central Lakes College**

The Board is asked to authorize further negotiations with the Central Lakes College (CLC) Foundation to finance, construct and operate student housing on the Brainerd campus at Central Lakes College. Development of third-party student housing must follow the requirements of Minn. Stat. §136F.60 (3) (c).

BACKGROUND

Central Lakes College in Brainerd identified housing pressures that are detrimentally impacting their ability to recruit and retain students. The college has met with their local municipal leaders and surrounding apartment owners to address these issues. In the community, the success of local businesses and the in-migration of workers has put pressure on student renters and made finding suitable rentals a challenge. As a result, the campus has seen downward pressures on enrollment and complaints from students about the quality and location of available housing near the campus. To combat these trends, the campus began to explore the idea of developing student housing on or near their campus over a year ago.

After initial investigations by the campus, a strategy was devised to investigate student housing that would be financed, developed and operated by the CLC Foundation. Minn. Stat. §136F.60 (3) (c) offers a framework for these sorts of developments, and provides in relevant part:

“The board may convey or lease real property under the board's control, with or without monetary consideration, to provide a facility for the primary benefit of a state college or university or its students if the board certifies that project revenues, other gifts or grants, or other sources of funds are available for project costs and that no tuition revenues or state or federal appropriations are used for the capital cost of the facility.”

Using Minn. Stat. §136F.60 (3) (c) as a guide, the college had conversations with the CLC Foundation which took the initiative to investigate and verify financial and market conditions. After investigation and research, the CLC Foundation developed a Request for Proposal (RFP) to hire architects to further develop the concept.

REQUEST FOR PROPOSAL

The CLC Foundation commissioned a student housing market feasibility study by Maxfield Research that analyzed the campus's current student characteristics and enrollment, local rental market, including any new apartments in the pipeline, rent/price sensitivity, and recommendations as to potential student housing demand.

As a companion to the market research, the CLC Foundation engaged architectural firms to complete preliminary evaluations of site locations, including the identification of preferred parcels to ground lease based on proximity to campus, parking location, infrastructure needs, and general site considerations, including the parcel fit with the campus facilities master plans. The preferred locations are contained on **Attachment A**, which is incorporated as part of this request.

After completing the market study and site evaluations, the CLC Foundation advertised the RFP to architects in January, 2014. The student housing committee of the CLC Foundation Board of Directors made a recommendation to the full board to accept the proposal from Widseth, Smith and Nolting, Inc. for architectural and engineering design services. The CLC Foundation Board of Directors approved the motion to accept the proposal and enter into a contract.

To date, Widseth, Smith and Nolting, Inc. has provided schematic designs to the CLC Foundation student housing committee for feedback.

The CLC Foundation would like to enter into a long term land lease with the following preliminary terms:

BASIC TERMS

Developer: Central Lakes College Foundation

Tenant: Central Lakes College Foundation

Property

Manager: None. Property will have an on-site housing manager who will be an employee of the foundation

Term: 30 year ground lease

Ground Rent: \$1.00

Preliminary Project Details:

Est. # Beds: 150-200, minimum-114 students, and maximum 222 students

Preliminary Plans: 6 studios single occupancy, 27 2-bedroom double occupancy, 24 2-bedroom single occupancy, 2 3-bedroom single occupancy

Est. Rents: Double occupancy per bedroom, \$300-400, Single occupancy per bedroom and studios, \$500-600

ADDITIONAL REQUIREMENTS

- Targeted occupancy date: August 15, 2015.
- Eligibility. Apartments shall be for the primary benefit of enrolled students of the institution.
- Site Location. Campus has final decision as to location of project on campus.
- Facilities master plan. The development must fit within the campus's facilities master plan.
- Financing. CLC Foundation shall provide to the college a full accounting of the project development costs and proposed operating costs including estimated rent structure.
- Furnishings. Apartments shall include all furnishings and shall be turn key to the students.
- Rent. Rent shall be all inclusive (all utilities, high speed internet service, waste removal). College shall be consulted on rent structure.
- Parking. Surface parking shall be available; a separate fee for parking may be charged.
- Approval. Campus shall retain the right to review and approve project construction plans, budget and contracts for construction, development and management.
- Campus Responsibility. Campus shall promote the availability of the project to the student body. Campus shall not provide any revenue assurance.
- End of Initial Term. Provided the arrangement continues to serve the needs of students and the property is kept in good repair and appearance, the Foundation and the campus would seek to extend the term of the agreement at the end of the initial term.

RECOMMENDED COMMITTEE ACTION:

Finance and Facilities Committee recommend the Board of Trustees adopt the following motion:

The Board of Trustees delegates authority to the chancellor or the chancellor's designee to continue negotiations, up to and including execution of ground leases and related documents with the CLC Foundation for student housing at Central Lakes College. The Board further directs that final agreements with the developer shall be consistent with the terms and conditions outlined herein, and shall be subject to the approval of the chancellor or the chancellor's designee.

RECOMMENDED MOTION:

The Board of Trustees delegates authority to the chancellor or the chancellor's designee to continue negotiations, up to and including execution of ground leases and related documents with the CLC Foundation for student housing at Central Lakes College. The Board further

directs that final agreements with the CLC Foundation shall be consistent with the terms and conditions outlined herein, and shall be subject to the approval of the chancellor or the chancellor's designee.

Attachment A
(taken from 2007 Master Facilities Plan)

