

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Finance and Facilities Committee

Date: January 21, 2014

Title: Authorization to Negotiate Third Party Housing Agreement at Minnesota West Community and Technical College and Northland Community and Technical College

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

Minnesota West Community and Technical College and Northland Community and Technical College seek authority to continue negotiations with a third party developer and issue a ground lease, provided that no tuition revenues or state appropriations are used for the capital cost of the facility, siting and design are consistent with the campus master plan and design standards, and the financial and contractual obligations demonstrate the financial viability of the proposed project.

Scheduled Presenter(s):

Laura King, Vice Chancellor – Chief Financial Officer
Brian Yolitz, Associate Vice Chancellor for Facilities
Richard Shrubbs, President, Minnesota West Community and Technical College
Anne Temte, Northland Community and Technical College

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

BOARD ACTION

**Authorization to Negotiate Third Party Housing Agreement at Minnesota West
Community and Technical College and Northland Community and Technical
College**

The Board is asked to authorize further negotiations with a third-party developer to finance, construct and operate student housing on campuses in Thief River Falls at the Northland Community and Technical College campus and in Worthington at the Minnesota West Community and Technical College campus. Development of third-party student housing must follow the requirements of Minn. Stat. §136F.60(3)(c).

BACKGROUND

Northland Community and Technical College in Thief River Falls and Minnesota West Community and Technical College in Worthington each identified housing pressures that are detrimentally impacting their ability to recruit and retain students. Each campus has met with their local municipal leaders and surrounding apartment owners to address these issues. In both communities, the success of local businesses and the migration of workers into these communities have put pressure on student renters and made finding suitable rentals a challenge. As a result, each campus has seen downward pressures on enrollment and complaints from students about the quality and location of available housing near their campuses. To combat these trends, the campuses began to explore the idea of developing student housing on or near their campuses over a year ago.

After initial investigations by the campuses, a strategy was devised to investigate student housing that would be financed, developed and operated by a third-party developer. Minnesota Statute §136F.60, Subd. 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, Sub. 3(c) as a guide, each college began investigating and verifying financial and market conditions with a plan toward developing a Request for Proposal to solicit developer interest in such a development.

REQUEST FOR PROPOSAL

Each campus followed a similar approach in their preparations for their respective Request for Proposal, starting with a student housing market feasibility study by Maxfield Research that analyzed each 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 campuses each 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, each campus advertised the RFP to student housing developers during the Fall 2013.

STUDENT HOUSING PROPOSALS

The response to the request for proposals at each location was fairly modest and reflected the challenges of a rural student housing development. Nevertheless, a dozen individuals attended a pre-proposal meeting in Worthington, where two developers eventually chose to make a proposal. In Thief River Falls, two developers attended the pre-proposal meeting and one developer made a proposal.

Orb Management was ultimately selected as the developer by both campuses to continue further discussions. (Orb was the lead developer involved in the development of the 150 bed student housing located adjacent to the Alexandria Community and Technical College campus.) As a result of Orb being the selected vendors for both campuses, the structures of the deal look very similar. They include the following preliminary terms:

BASIC TERMS

Developer: Orb Management

Tenant: Special purpose LLC established for financing and operating purposes

Property
Manager: Selected based on local market conditions

Term: 30 year ground lease

Ground Rent: \$1.00

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Est. # Beds: Minnesota West 100 - 110
Northland 140 – 150

ADDITIONAL REQUIREMENTS

- Targeted Occupancy Date. August 1, 2015
- Eligibility. Apartments shall be for the primary benefit of enrolled students of the institution; faculty and/or staff may be eligible to rent on a space available basis.
- 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. Developer shall provide to campus a full accounting of the project costs and proposed operating costs.
- Furnishings. Apartments shall include all furnishings and shall be turn key to the students.
- Rent. Rent shall be all inclusive (all utilities, 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 Term. Campus shall have the option at the end of the lease term either to require conveyance of the project at the end of the ground lease term to the campus or require the removal of the improvements at the end of the ground lease term.

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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 third-party housing developer for student housing at Minnesota West Community and Technical College and Northland Community and Technical 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 third-party housing developer for student housing at Minnesota West Community and Technical College and Northland Community and Technical 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.

Date Presented to Board of Trustees: January 21, 2014

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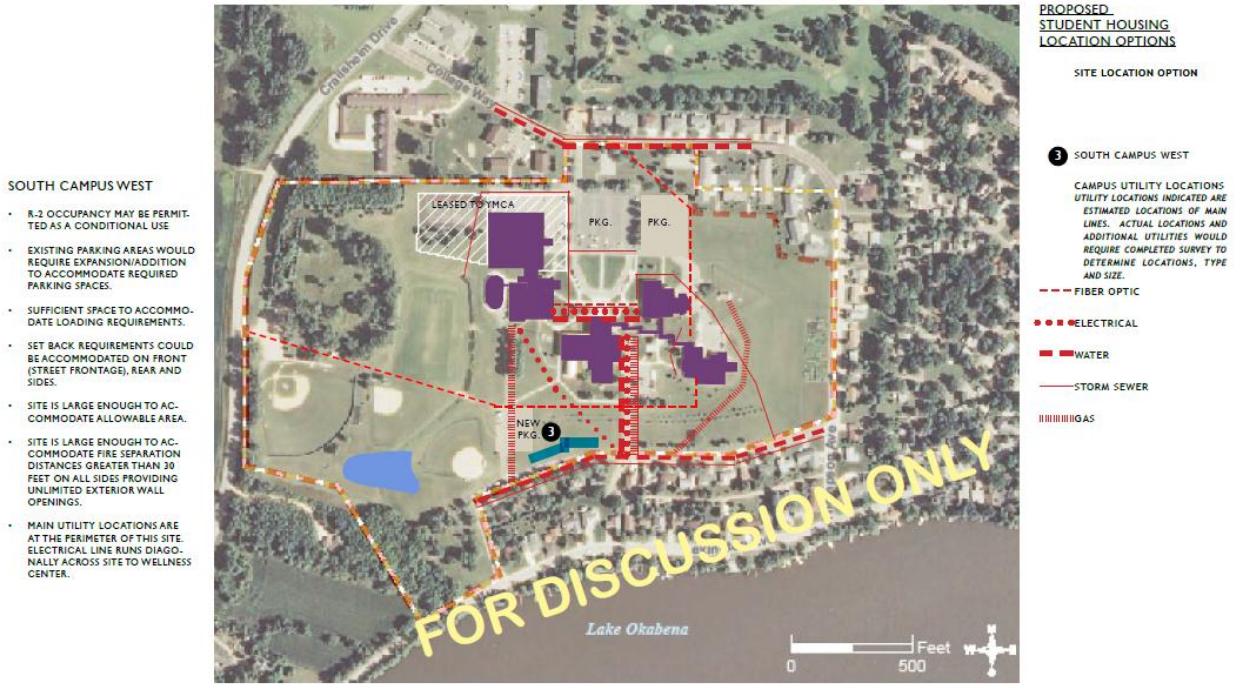
Attachment A

Northland Community and Technical College
Proposed location



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Attachment B - Minnesota West Community and Technical College



Preferred Student Housing Site Location Options

Worthington Campus - Housing Study
Minnesota West Community and Technical College

DATE: 02 April 2013
PROJECT NO.: 05014.002

HAY DOBBS
SK. 8

Worthington, Minnesota