

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: January 18, 2011

Agenda Item: Minnesota State University Moorhead – Hendrix Health Center Lease

Proposed Policy Action Approval Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: At the June 2002 Board meeting, the Board approved (a) leasing state property at Minnesota State University Moorhead to the Minnesota State University Moorhead Alumni Foundation for a term not to exceed ten (10) years; (b) construction, by the Foundation, of a temporary Student Health Services Building; and (c) lease-back of the building to the University for a term not to exceed ten (10) years, after which time the building shall be razed and the underlying property returned to the University. The university seeks to revise this arrangement and remove the demolition requirement when the lease expires in July 2012.

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

Outline of Key Points/Policy Issues: When the lease with the university is scheduled to expire in 2012, the Alumni Foundation is required to demolish the building consistent with the Board’s terms and conditions contained in the lease and operating agreement. The university, however, wishes to continue using the student health center building, and proposes to relinquish the lease-end demolition requirement and continue operating the facility, integrating it into its campus building inventory. The Alumni Foundation would transfer the building to the university debt free in 2012 at the end of the lease term. The University would continue to use the facility as the student health center for the foreseeable future.

Background Information: Hendrix Health Center operates out of a 7,411 sq. ft. stand alone facility that was built in 2002 after the health center staff were forced to move when mold was discovered in its previous location, the basement of Dahl Hall. The health center is located on land leased by the university to the Minnesota State University Alumni Foundation for 10 years.

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

ACTION ITEM
Minnesota State University Moorhead – Hendrix Health Center Lease

BACKGROUND

At the June 2002 Board of Trustees meeting, the Board approved (a) leasing state property at Minnesota State University Moorhead to the Minnesota State University Moorhead Alumni Foundation for a term not to exceed ten (10) years; (b) construction, by the Foundation, of a temporary Student Health Services Building; and (c) lease-back of the building by the University for a term not to exceed ten (10) years, after which time the building shall be razed and the underlying property returned to the University.

Minnesota State University Moorhead seeks the Board’s assent to continue the use of the Hendrix Student Health Center building beyond ten years (July 2012) and remove the demolition obligation from the end of lease requirements.

The Hendrix Student Health Center relocated from the basement of Dahl Hall in 2002, when mold was discovered. The university’s initial preference had been to incorporate the student health center into the planned Wellness/Fitness Center. At the time, however, the Wellness/Fitness Center was in the early planning stages, and did not offer a timely solution. The university’s interim solution was to arrange construction of an commercial-grade single-story medical/office building to house the Hendrix Student Health Center on campus, which would provide flexibility if the university eventually chose to locate the student health center in the Wellness Center when it was completed. The university proposed using the Minnesota State University Moorhead Alumni Foundation to finance and construct the student health center building and lease it back to the university. Legislative authority in 2000 authorized this type of lease/construction arrangement.

After the Board action in June 2002, Minnesota State University Moorhead entered into a 10-year lease and operating agreement with the Minnesota State University Moorhead Alumni Foundation to lease, construct and operate a student health services building. The lease is scheduled to expire in July 2012.

The current Hendrix Student Health Center building contains approximately 7,411 square feet, and cost approximately \$525,000 to construct. The University pays the Foundation a rental rate of approximately \$10.00 per square foot or \$74,000 per year, to cover the debt service, and sets aside funds for operations and routine maintenance. The building is typical for a commercial-grade medical office building, which included concrete block with a stone finish and standard interior framing.

The lease expiration date is fast approaching, which triggers a demolition requirement that the university would like to revise. Specifically, per previous Board action, upon the lease expiration, the Alumni Foundation is required to demolish the building and give back the land to the university. The university, however, wishes to continue using the building as the student health center after the lease has expired, and proposes to remove the lease-end demolition requirement and continue operating the facility. The Alumni Foundation would transfer the building to the university debt free in July 2012 at the end of the lease term. The University would continue to use the student health center for the foreseeable future.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves accepting the Hendrix Student Health Center building from the Minnesota State University Moorhead Alumni Foundation at the end of the lease term without requiring the building's demolition. All documents shall be reviewed and approved by the Office of the Chancellor and the Attorney General's Office prior to execution.

RECOMMENDED MOTION:

The Board of Trustees approves accepting the Hendrix Student Health Center building from the Minnesota State University Moorhead Alumni Foundation at the end of the lease term without requiring the building's demolition. All documents shall be reviewed and approved by the Office of the Chancellor and the Attorney General's Office prior to execution.

Date Presented to the Board: January 19, 2011