

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: October 18, 2011

Agenda Item: Minnesota State University, Mankato Housing Lease

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

Cite policy requirement, or explain why item is on the Board agenda: Minnesota State University Mankato seeks approval to enter into a 252-bed off-campus apartment building lease to start in fall semester 2012. Total consideration for the lease (including all options to renew) exceeds \$3 million, which requires approval by the Board of Trustees pursuant to Board Policy 5.14.

Scheduled Presenter(s): Brian Yolitz, Associate Vice Chancellor of Facilities
Richard Davenport, President,
Minnesota State University, Mankato

Outline of Key Points/Policy Issues: The University plans to decommission the 1150-bed Gage Residence Hall, and wishes to lease off-campus beds to meet expected student demand. In April 2011, the university solicited local landlords for proposals for apartment buildings that could be made available to the university, starting in the 2012-13 academic year. Seven proposals were submitted and the University selected Stadium Heights Apartments located 2 blocks from campus at 755 Heron Drive, Mankato.

Background Information:

The university's residential life master plan outlines a strategy to diversify and modernize the mix of housing units offered to students while eliminating a significant backlog of deferred maintenance. This plan addresses renovations, new construction, decommissioning and leasing. The Residential Life program is in the seventh year of active implementation of this plan. The university's Residential Life group will manage the off-campus apartments in a manner similar to their on-campus residence halls.

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

ACTION ITEM
Minnesota State University, Mankato Housing Lease

REQUEST

Minnesota State University Mankato seeks approval to enter into a 252-bed off-campus apartment building lease to start in fall semester 2012. Total consideration for the lease (including all options to renew) exceeds \$3 million, which requires approval by the Board of Trustees pursuant to Board Policy 5.14.

BACKGROUND

The university's residential life master plan, most recently updated in 2009, outlines a strategy to diversify and modernize the mix of housing units offered to students while eliminating a significant backlog of deferred maintenance. This comprehensive plan addresses renovations, new construction, decommissioning and leasing. The Residential Life program is in the seventh year of active implementation of this plan.

The university's new construction portfolio includes the 600-bed Julia Sears Residence Hall, which opened in 2008, and the 300-bed Margaret Preska Residence Community, scheduled to open in 2012.

The University plans to decommission the 1150-bed Gage Residence Hall, and wishes to lease off-campus beds to maintain a portfolio size that will continue to meet expected student demand.

OFF CAMPUS APARTMENT LEASE

In April 2011, the University published a Request for Information in the Mankato Free Press soliciting local landlord proposals for apartment buildings that could be made available to the university, starting in the 2012-13 academic year. The proposal sought a one year term with four (4) x 1 year options to renew in favor of the university.

Approximately 8-10 landlords attended the information meeting, and seven submitted proposals. After an extensive review process, the University selected Stadium Heights Apartments located 2 blocks from campus at 755 Heron Drive, Mankato.

Minnesota State University Mankato Housing Lease

The university entered into lease negotiations, and a summary of major lease terms are contained below:

Start Date: August 1, 2012

End Date: July 31, 2013 (with 4 x 1 year options to extend the term)

Units: 84 - 3 bedroom apartments

Beds: 252 bedrooms

Rent:	\$1,372,800	Year 1
	\$1,372,800	Year 2 (option)
	\$1,372,800	Year 3 (option)
	\$1,413,984	Year 4 (option) 3% increase
	\$1,413,984	Year 5 (option)

Total Rent \$6,946,368 if all renewal options were exercised

The rate includes all utilities, except internet and cable TV services, which will be provided under the existing Residential Life internet and cable contracts. The university will furnish the apartments.

The university's Residential Life group will manage the off-campus apartments in a manner similar to their on-campus residence halls. Residence hall fee rates for the apartments have not been formalized yet, as they will be part of the student consultation process for fee and tuition rates for FY2013 that the Board will consider next spring.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the lease at 755 Heron Drive, Mankato, Minnesota, consistent with the business terms as described in this narrative, subject to final approval of the lease terms by the Chancellor or his designee.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees approves the lease at 755 Heron Drive, Mankato, Minnesota, consistent with the business terms as described in this narrative, subject to final approval of the lease terms by the Chancellor or his designee.

Presented to the Board: October 18, 2011