

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

Name: Finance and Facilities Committee

Date: March 17, 2015

Title: Bemidji State University Property Management Contract Exceeding \$1Million Dollars

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:

The Board of Trustees is asked to approve Bemidji State University entering into a property management agreement to operate a 56-bed apartment building near the Bemidji State campus. The apartments are being constructed by a private developer. The agreement will be 5 years in term and is expected to flow as much \$400,000 - \$500,000 per year through the university's accounts or roughly \$2-\$2.5 million over the agreement term. The property management agreement involves funds in excess of \$1 million, requiring approval pursuant to Policy 5.14, *Contracts and Procurement*.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

Bill Maki, Vice President

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

BOARD ACTION

**Bemidji State University
Property Management Contract Exceeding \$1 Million Dollars**

PURPOSE

To gain Board of Trustees approval for Bemidji State University to enter into a property management agreement with JT Properties LLC, which will construct a new, 56-bed apartment facility near campus. The property management agreement involves funds in excess of \$1 million, requiring approval pursuant to Policy 5.14, *Contracts and Procurement*.

BACKGROUND

In February 2012, Bemidji State University commissioned a student housing needs assessment to evaluate on-campus housing. One of the study's conclusions was that Bemidji State University appeared to have an oversupply of dormitory-style rooms in its existing housing stock, and would benefit from housing that would better meet the needs of upperclass and graduate students. The study conclusion also suggested that the local market could support approximately 50 units of apartment style student housing on or near campus.

OPPORTUNITY

Developers entered into negotiations to acquire an 11 acre parcel owned by the Bemidji State University Foundation approximately 2 years ago. The developer, aware of the university's housing study work, approached university leadership about constructing a multi-phase "University Heights" development that includes a component of student housing. After significant discussions, the developer proposed building a 56 bed apartment project at its cost and offer the university the opportunity to enter into a property management agreement to operate the facility as part of the university's student housing program. The project includes a blend of 3 and 4 bedroom units, including all appliances and laundry amenities. Rents are anticipated to be \$750 per month/\$9,000 annually per bed, all inclusive. Once complete, the university would operate the facility as part of the university's student housing program under the terms of the property management agreement. A site plan, exterior elevation, and representative floor plans are shown as **Attachment A**.

Under the current proposal, the university would operate the apartments just like a typical residential hall, receiving room payments and, after paying its appropriate operating costs and overhead, remitting the remainder of the payments to the developer. The university is not entering into a master lease nor guaranteeing the rent, revenue yields, or occupancy rates of this development.

Construction and operating funding for the project is the sole responsibility of the developer. The university will enter into a 5 year property management agreement with the developer upon completion of the apartment construction.

The university has examined the impact of this project on its residential life program, and remains confident that the scope and nature of this project will better meet the needs of the students and offer another residential product type to market to prospective and existing students.

The developer plans to bid the construction this spring and open for occupancy in the summer of 2016 for fall term. Per board policy, students at Bemidji State have been consulted and endorse this project.

OUTSTANDING ISSUES

The developer has not finalized construction financing.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves Bemidji State University entering into the 5-year property management agreement valued at approximately \$6 million over the agreement term for student housing facilities constructed and owned by a local developer. The board also authorizes the chancellor or his designee to finalize negotiations and execute a property management agreement with the developer.

RECOMMENDED MOTION:

The Board of Trustees approves Bemidji State University entering into the 5-year property management agreement valued at approximately \$6 million over the agreement term for student housing facilities constructed and owned by a local developer. The board also authorizes the chancellor or his designee to finalize negotiations and execute a property management agreement with the developer.



Figure 1: Project Site Plan



Figure 2: Project Elevation

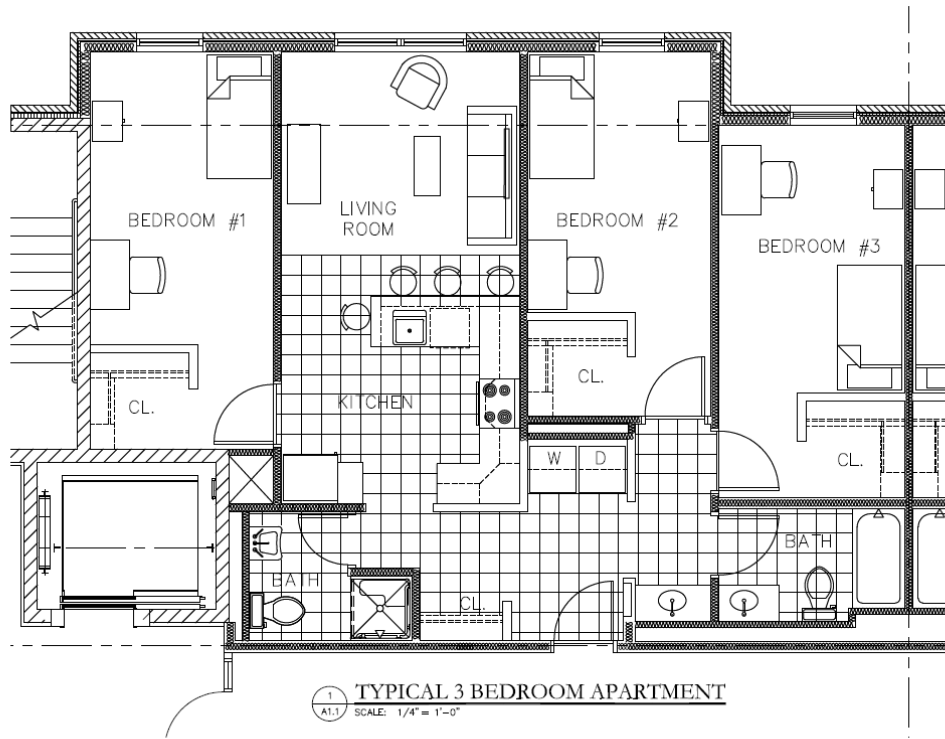


Figure 3: Proposed 3 Bedroom Apartment

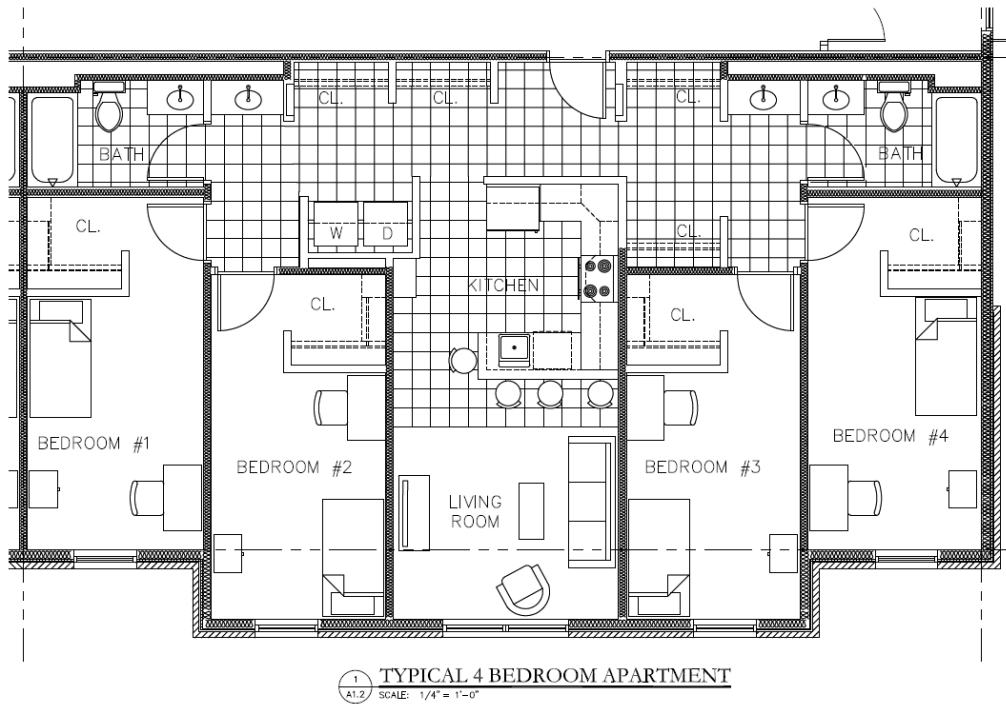


Figure 4: Proposed 4 Bedroom Apartment
 Date Presented to the Board: March 18, 2015