

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

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** May 21, 2008

Agenda Item: Hibbing Community College – Disposition of Surplus Real Property

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|--|--|---|-------------------------------------|
| <input type="checkbox"/> Proposed
Policy Change | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals | <input type="checkbox"/> Monitoring |
| <input type="checkbox"/> Information | | | |

Cite policy requirement, or explain why item is on the Board agenda: The Board may designate as “surplus” and approve the sale of real property under its control pursuant to Minnesota Statute §136F.60, subdivision 5. Under Board of Trustees Policy 6.7, Real Estate Transactions, Board approval is required for all sales of real property valued at or greater than \$250,000.

Scheduled Presenter(s): Allan Johnson, Associate Vice Chancellor Facilities

Outline of Key Points/Policy Issues: A buyer has agreed to purchase the former Hibbing Central Campus for \$600,000 “as is”.

Background Information: The 1998 Bonding Bill, 1998 Minnesota Laws Chapter 404, Section 3, Subdivision 8 required the sale of the Hibbing Central and South campuses as a part of funding the co-location of technical programs on the community college campus. The Central and South campuses have been marketed for sale since 2000. The south campus was sold on a five (5) – year contract for deed in 2002 for \$650,000.

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

BOARD ACTION

Hibbing Community College – Disposition of Surplus Real Property

POLICY

Board Policy 6.7, Real Estate Transactions, requires Board of Trustees approval of real estate dispositions valued at or greater than \$250,000.

BACKGROUND

The 1998 Bonding Bill, 1998 Minnesota Laws Chapter 404, Section 3, Subdivision 8 included \$16 million to construct a major campus facility adjacent to the Hibbing Community College to co-locate the college's technical programs, administrative services, and customized training. At that time, the Hibbing Technical College buildings were commonly known as the Central Campus and the South Campus. See **Attachment A**. As a condition of funding the co-location, the 1998 legislation required the sale of the college's South and Central campuses with the college retaining the sale proceeds. Although not specifically mentioned in session law, the intent of the sale authorization was to fund a portion of the debt service for the new facility with the real estate sale proceeds. The session law read as follows:

“To construct a new facility, adjacent to the community college, for technical programs, administrative services, and customized training. Upon completion of this facility, the college must vacate all classroom buildings of the former technical college. The city shall provide sewer and water, and a perimeter street. The board of trustees shall dispose of the former technical college land and classroom buildings. The proceeds may be retained by the board pursuant to Minnesota Statutes, section 136F.71, subdivision 1. Minnesota Statutes, sections 94.09 to 94.16 and 103F.535 do not apply to these real estate transactions.”

Marketing of the two properties began in 2000. The South Campus contained an approximately 41,260 square foot building located on two lots in the Hibbing Industrial Park. See **Attachment B**. The Board took action on the sale in December 2000, and the South campus was sold on a 5-year contract for deed dated April 1, 2002 to Reptron, a local electronics manufacturing firm, for \$650,000. The contract for deed was paid off in December 2006. Notably, Reptron never occupied the building, and sold the property to an environmental engineering firm shortly after paying off the contract for deed.

The Central Campus, by contrast, is a 12.5 acre tract along Highway 169 containing approximately 81,000 square feet of space: the central campus main building, two large storage buildings, and several smaller outbuildings over the site. See **Attachment C**. The Central Campus has been marketed almost continuously since 2000 by various parties, including the Real Estate Division of the State Department of Administration, Welsh Companies, and most recently, by Village Realty, a Hibbing real estate brokerage firm.

Hibbing Community College – Disposition of Surplus Real Property 2

Although there has been varying levels of interest from other state agencies, local governmental units and several local investors, the condition of the property and limited market potential for such a large building has limited the success in selling the entire tract. In April 2004, the college entertained an offer of \$900,000, although the buyer ultimately backed out when there was a failure to agree on terms relating to the environmental condition of the property. There had also been strong interest by the local public utility, which has leased space in the central campus building for their trucks and equipment. The utility board ultimately decided to pursue alternative locations.

After Village Realty was brought in to market the property in 2007, the property was marketed as three separate parcels. The tracts are shown on **Attachment C**. Parcels noted as Tracts B and C are being sold to separate parties “as-is” for \$72,500 and \$75,000, respectively. The central campus parcel, identified as “Tract A”, is being sold to Tom Vidovic, a local businessman, for \$600,000, and is the subject of this approval request. The property had been appraised at between \$1.1 million and \$1.8 million several years ago, which assumed a clean site. Since the property had been used for automotive repair and has had underground storage tanks in the past, the property is being sold “as-is,” reflective of its current environmental condition. Another factor in the lower sale price is the length of time the property has been on the market.

Despite the reduced sale price, the college is still expected to gross nearly \$1.4 million for the sale of the Central and South campus combined. Fortunately, the college had not had to rely on the sale proceeds to cover its debt service obligation, and plans to use the sale proceeds for future capital improvement projects.

A summary of the sale prices and gross sale proceeds are identified below:

Total Gross Proceeds: \$1,397,500

Details on sale price:

South Campus	\$650,000	
Central Campus		
• Tract A	\$600,000	(Main building)
• Tract B	\$ 72,500	(Storage building tract)
• Tract C	\$ 75,000	(Law enforcement storage tract)

The campus still expects to net over \$1 million after all sale costs are reconciled for the various properties.

RECOMMENDED COMMITTEE ACTION:

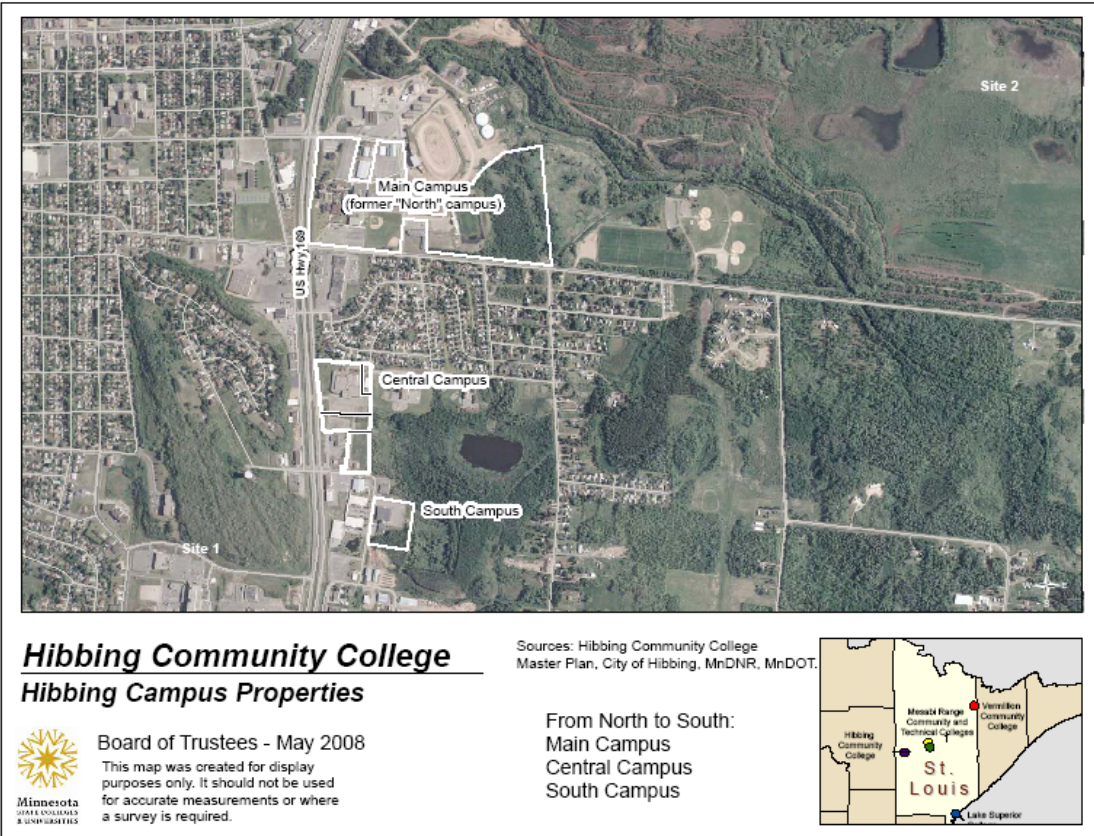
The Facilities/Finance/Technology Policy Committee recommends that the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

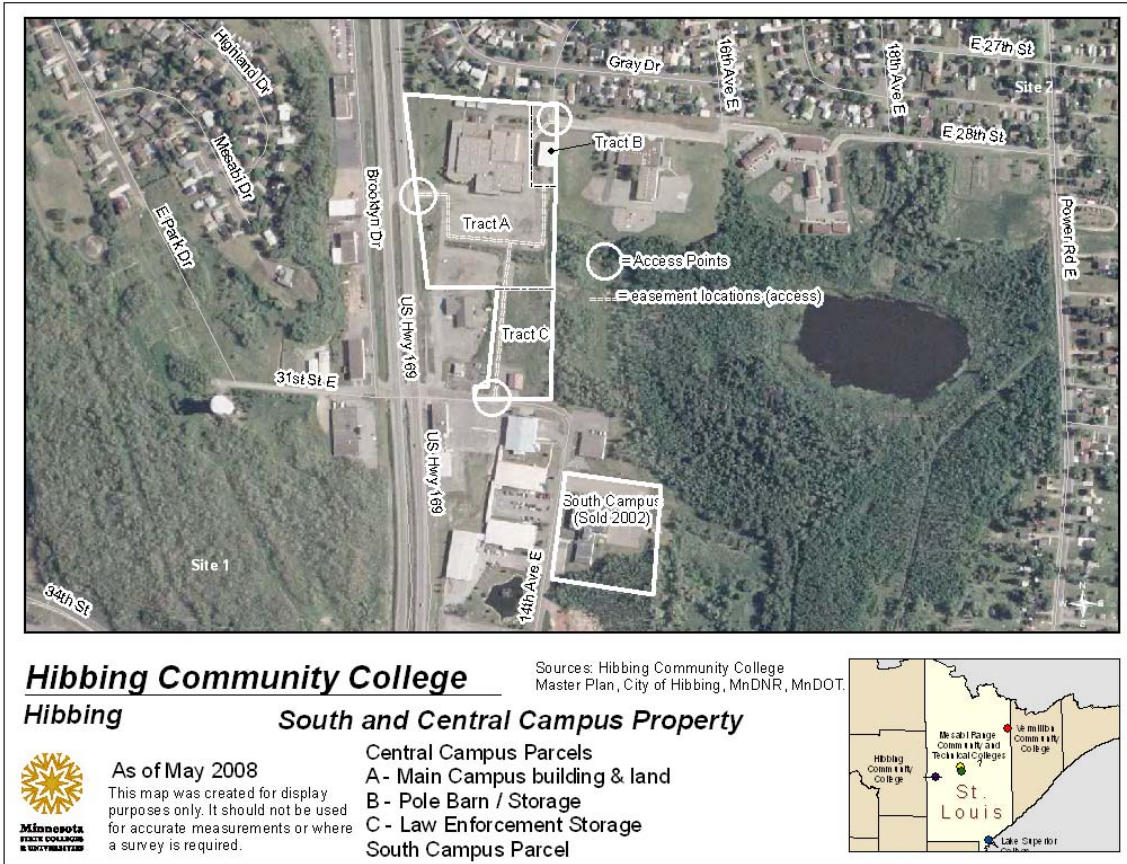
The disposal of the Hibbing Community College, Central Campus property, is approved as presented herein.

Date Presented to the Board: May 21, 2008

Attachment A – Overall College Campus Locations



Attachment B: South and Central Campuses



Attachment C – Central Campus

