

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

**Southwest Minnesota State University Student Housing Proposal**

**BACKGROUND**

The purpose of this report is to request the Board of Trustees approve action for Southwest Minnesota State University to enter into a lease with the Southwest Minnesota State University Foundation to operate and maintain a new, modern apartment style facility as part of the University's student housing program.

In April 2004, Southwest Minnesota State University Foundation (Foundation) commissioned a survey to evaluate students' housing concerns. This survey highlighted that existing Southwest Minnesota State University (University) residence halls lack many of the amenities that today's students desire. The Foundation studied alternatives and decided upon a proposal to design, construct, furnish and equip a new 141 bed housing facility on Foundation property directly across the street from the University's existing student residence halls. Upon occupancy of the project, the University proposes to take F Hall dormitory out of service, thereby eliminating 210 beds and over \$2.6 million of deferred maintenance. The demolition of F Hall is estimated to cost \$500,000. Sources of funds include University monies as well as GO bonds from a possible 2006 Capital Budget Request for a system-wide demolition initiative.

Funding for the project has been secured by the Foundation for \$5.7 million via City of Marshall tax-exempt conduit bond proceeds, along with \$1.3 million of Foundation monies to fund the design, construction and furnishing of the project. The bonds will be payable solely from revenue generated by the facility and per Minnesota Statutes Chapter 136F.60, no state funds or tuition will be used. The total cost of the project is estimated to be \$7 million.

The University will enter into an initial 10-year lease and operating agreement with the Foundation upon occupancy of the property with the option for three (3) additional 5-year terms. The University will operate and maintain the property as part of the student housing program subject to the terms of the agreement. Sufficient building revenues will be generated to fund operations and maintenance, repair and replacement, and reserve accounts. Should any excess revenues be generated they will be paid to the Foundation.

The Foundation and University have examined the impact of this project on the local rental housing market, and are confident that the scope and nature of this project in conjunction with the closure of F Hall will better meet the needs of the students and have no measurable impact on private business owners. In addition, a March 2004 Maxfield Research, Inc. housing market analysis showed, that while the city of Marshall did not have an immediate need for additional rental housing because of (then) recent job losses, indications are that, with the reopening of a

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poultry processing plant and the addition of a Super Wal-Mart store, there will be a need for rental housing in the next year and a half.

The Foundation plans to bid the construction contract Spring 2005, subject to the Foundation's Board of Directors approval. Construction is planned to begin in Summer 2005 and be completed by July 2006. Final budget projections are subject to further discussions regarding project financing, reserve requirements, and a lease and operating agreement between the University and the Foundation.

Per Board policy, students at SMSU have been consulted and heartily endorse this project.

**OUTSTANDING ISSUES**

The Lease and Operating Agreement between the University and the Foundation is under review.

**RECOMMENDED COMMITTEE ACTION:**

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

**RECOMMENDED MOTION:**

The Board of Trustees approves Southwest Minnesota State University entering into the initial a 10-year lease valued at \$6,737,000 for student housing facilities from the Southwest Minnesota State University Foundation, with three (3) consecutive 5-year renewal options. Approval is contingent upon final review and approval of the Lease and Operating Agreement by the Office of the Attorney General and the Office of the Chancellor.