

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

Agenda Item Summary Sheet

Committee: Finance/Facilities

Date of Meeting: September 19, 2006

Agenda Item: Minnesota West Community and Technical College –
Worthington YMCA Ground Lease

Proposed
Policy Action

Approval
Required by
Policy

Other
Approvals

Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: During the initial Board approval of the ground lease plan in February 2000, the Board of Trustees required the President of Minnesota West Community and Technical College to report on the plan, and to return to the Board for approval after legislation is approved. The Minnesota State Legislature passed legislation during the 2000 session, originally authorizing a lease to the YMCA not to exceed 20 years to construct a facility on college property. The Legislature has since passed legislation during the 2007 session, authorizing a ground lease not to exceed 40 years.

Scheduled Presenter(s): Dr. Ronald Wood, President,
Minnesota West Community and Technical College

Outline of Key Points/Policy Issues: Both the Board of Trustees and Legislature have imposed extensive conditions on the ground lease which are detailed in the Board report.

Background Information: After the project was approved by the Board and Legislature in 2000, the city of Worthington made a concerted effort to keep the YMCA in downtown. The downtown redevelopment opportunity did not materialize. In early 2005, the YMCA decided to pursue the college site, and Minnesota West and the YMCA reopened discussions. A memorandum of understanding was signed in April 26, 2006 between the Worthington YMCA and Minnesota West, outlining the conditions and parameters of their future relationship on the project.

The YMCA facility will be designed, constructed and maintained solely through YMCA capital campaign pledges (already in progress), short-term construction financing, and their own operating funds. The draft lease includes provisions that the facility's siting and design shall be consistent with the college's master plan and Minnesota State Colleges and Universities building standards. The ground lease is valued at approximately \$10,000/annually based on a recent real estate appraisal obtained by the college. The college expects to receive the value of the ground lease through use of the YMCA facility for programming, recreational and athletic opportunities.

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

BOARD ACTION

**Minnesota West Community and Technical College -
Worthington YMCA Ground Lease**

BACKGROUND

The purpose of this report is to provide an update to the Board of Trustees regarding the latest plan to locate a YMCA on the Minnesota West Community and Technical College, Worthington campus, (“Minnesota West – Worthington”) and to request that the Board of Trustees approve a 40-year ground lease to the YMCA for the construction of the YMCA facility (“YMCA”) on campus.

Original discussions about this project with the YMCA took place in 1999-2000. During initial negotiations with the YMCA in 2000, the Board and Legislature authorized a ground lease to the YMCA not to exceed 20 years. Shortly after those approvals, the City of Worthington initiated efforts to keep the YMCA located in downtown Worthington, and suggested taking over the location of the former Campbell’s Soup plant. When timely funding for the demolition of the plant by the City of Worthington was unavailable, the YMCA approached the college again in 2006. The Board was provided an informational update in September 2006 regarding the YMCA’s renewed interest in locating their facility on campus. As recent negotiations commenced, the YMCA deemed the ground lease term authorized in the 2000 legislation as inadequate. To address this concern, legislation was passed during the 2007 session that authorized a ground lease to the YMCA not to exceed 40 years. See Attachment A, “2007 Minnesota Laws Chapter 144, Article 2, Section 50.” During the initial Board approval of the ground lease in February 2000, the Board of Trustees required the President of Minnesota West Community and Technical College to report to the Board of Trustees on the plan, and to return to the Board for approval after legislation is approved.

CONSTRUCTION AND LEASE CONDITIONS

Both the Board of Trustees and Legislature have imposed conditions on the project. Other than the Legislature recently approving a change in lease term from 20 to 40 years, the following conditions remain intact and are being met. The conditions are:

Board of Trustees’ Conditions

1. The siting and external design of the facility must be consistent with the college’s master plan and physical appearance.

2. The use of the facility cannot be substantially altered from the conditions and use identified in the final negotiated lease. Any substantial change in use must be by mutual consent of the lessee (YMCA) and the lessor (Minnesota State Colleges and Universities / Minnesota West Community and Technical College).
3. The YMCA will be solely responsible for the planning, capital campaign, financing, construction, and eventual management and operation of the facility located on the leased land. This would not preclude the YMCA and Minnesota West from entering into agreements on operating fees and improvements, which are mutually beneficial to both institutions.
4. There will be a negotiated amount of facility use and cost defined in the negotiated lease.
5. Minnesota West and the YMCA will define within the lease a mechanism to determine YMCA use of the Worthington Campus facilities.

Legislative Conditions

1. A lease of 40 years with a termination provision if the improved property is no longer used for the partial benefit of students at the Worthington campus.
2. Siting and design of the facility must be consistent with the college's master plan and Minnesota State Colleges and Universities' building standards.
3. Minnesota West may negotiate the use of the facility for college purposes.
4. The lease may include the City of Worthington.
5. (From the 2000 legislation) Prior to board authorization for this project, the Board must:
 - a. Notify the public of the proposed project.
 - b. Disclose the names of the participants in the project.
 - c. Conduct a feasibility study on the project and disclose its results as well as the private and public contributions to the project, including how it is to be financed, and
 - d. Hold a public hearing on the project.

CURRENT STATUS

The public was notified of the project during the board meetings in January and February 2000, September 2006 and this current Board meeting. A business owner of a private fitness club in Worthington testified before the Board of Trustees during the 2000 consideration, outlining his objections. The YMCA held public meetings in 2000-01 in Worthington, hired a consultant to interview forty community members in 2005 to affirm the 2000-01 meetings, and has undertaken a public capital campaign within the Worthington area for the new YMCA. The YMCA also conducted a capital campaign feasibility assessment in May 2001, the results of which were made available to the public.

The draft lease includes provisions that the facility's siting and design shall be consistent with the college's master plan and MnSCU building design standards. As of early September, the YMCA hired BKV Architects, a firm that designed the Worthington campus's recent building renovation and addition. The City of Worthington is not a party to the lease, however, the city entered into a 20-year contract with the YMCA worth \$2.92 million over 20 years (present value of \$1.7 million) toward the cost of the swimming pool in the new facility. The YMCA swimming

pool will then serve as the new municipal swimming pool. The city's old, outdoor swimming pool will be closed after the new YMCA facility opens.

The YMCA facility will be designed, constructed and maintained solely through YMCA capital campaign pledges (already in progress), short-term construction financing, and their own operating funds. The YMCA recently hired BKV Architects to design the facility. The campus master plan and previous conceptual drawing of the project is attached and incorporated in this Board report as Attachments B-1 and B-2, respectively, as illustration purposes only. The facility is expected to be 28,000-35,000 square feet with an expected project budget of approximately \$5,175,000. The facility will occupy a footprint in front of the campus field house. The YMCA is targeting a mid-2009 occupancy.

The ground lease is valued at approximately \$10,000/annually based on a recent real estate appraisal obtained by the college. The college expects to receive the value of the ground lease through use of the YMCA facility for programming, recreational and athletic opportunities. The Operating Agreement addresses the use of the YMCA facility for college programming and the YMCA's use of college grounds to host outdoor recreational programs and leagues. The Operating Agreement structures the annual process by which Minnesota West and YMCA can reserve time for programs in the each other's facility (usually 6 months in advance for classes). The YMCA may reserve time within the Minnesota West facility or on its grounds under the same policies, priorities, and rules as any other outside user of campus space.

As it relates to design and construction of the facility, the YMCA's financing package is primarily reliant on capital campaign pledges. To date, \$1.25 million in cash has been received as well as a signed contract with the City of Worthington representing a net present value of \$1.7 million. The City's first payment of \$146,000 will be received on the start date of the project. The YMCA capital campaign has reached 98% of its pledge goal, and expects to exceed its goal on or before November 1, 2007. The YMCA forecasts, based on pledge agreements, reaching \$2,000,000 in cash received at the start of the project.

Summary of Donation Schedule

	Pledged	Received
Cash Pledges	\$3,166,537	\$1,250,000
In Kind	\$ 215,000	n/a
City contract (Present value/20 yrs)	\$1,700,000	
	\$5,081,537	\$1,250,000

The YMCA is a non-profit organization with a \$519,000 operating budget and an approximately \$600,000 endowment fund. The YMCA currently obtains 44% of its revenue from membership fees, 31% from program fees, and the remaining 25% from a combination of the annual Kid's Campaign, United Way, and investments. On the expenditure side, 33% of the budget is dedicated to maintaining and operating its old, downtown facility with the remaining portion going towards personnel and programming. The YMCA has not yet decided the fate of the old YMCA building, but may use it as additional collateral for expected financing.

RECOMMENDED COMMITTEE ACTION:

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

RECOMMENDED MOTION:

The Board of Trustees approves execution of a ground lease with the YMCA - Worthington, and specifically, the change in lease term from twenty (20) to forty (40) years, subject to the terms and conditions outlined herein. The Chancellor is directed to take all necessary action to complete the transaction.

Date Presented to the Board: September 19, 2006

Attachment A

2007 Minn. Laws Ch 144, Art. 2, Sec. 50.

**Sec. 50. MINNESOTA WEST COMMUNITY AND TECHNICAL COLLEGE
AT WORTHINGTON; YMCA LEASE AGREEMENT.**

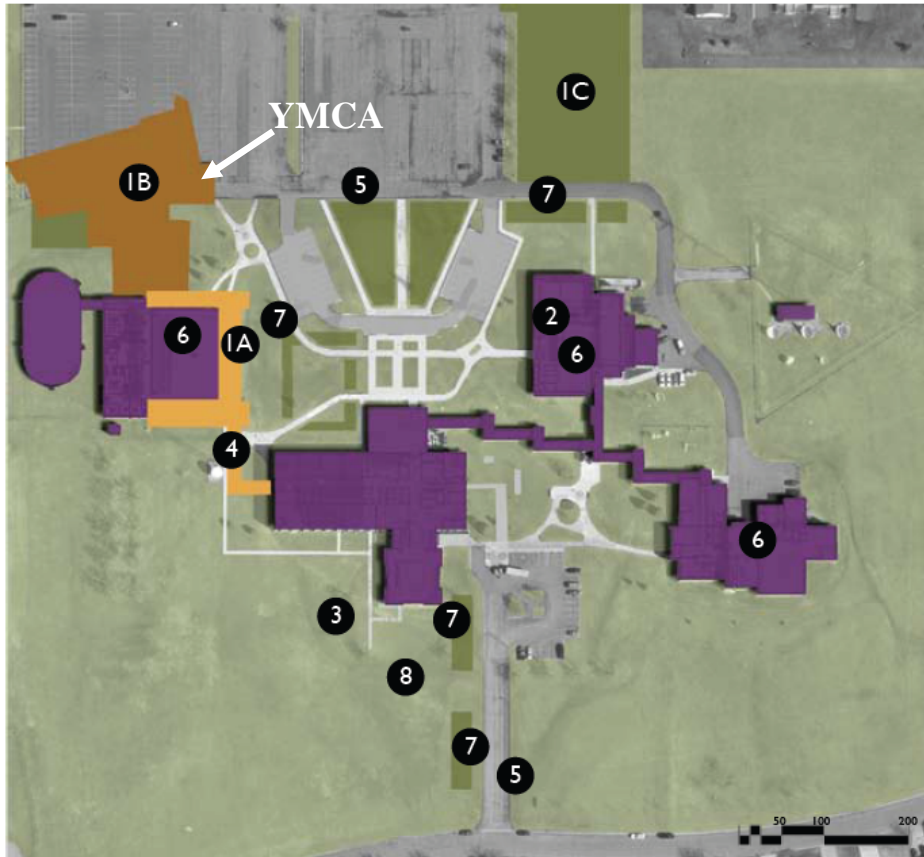
(a) The Board of Trustees of Minnesota State Colleges and Universities may enter into a lease agreement with the YMCA not to exceed 40 years, for the lease of land on the Minnesota West Community and Technical College at Worthington campus for the construction of a YMCA facility. The lease may also include the city of Worthington.

(b) Siting and design of the facility must be consistent with the college's master plan and Minnesota State Colleges and Universities' building standards. Minnesota West Community and Technical College may negotiate for use of the facility for college purposes. The lease must contain a provision that the lease shall terminate if the improved property is no longer used for the partial benefit of the students at the Worthington campus.

Attachment B-1

CAPITAL PLAN

short-Term (2-5 years)



- 1) IA- Design and construct classroom/wellness addition.
IB- Partner and undertake alliances with YMCA and regional Health Care providers to design and construct a community YMCA and regional wellness center.
IC- Design and construct additional parking to replace parking removed for YMCA construction.
- 2) Upgrade classroom, studio and storage for Fine Arts.
- 3) Conduct pre-design or design study to provide extra-curricular space including health services that supports academics, student life, recruiting and retention.
- 4) Add new link-way to make final connection between campus buildings.
- 5) Update and improve signage and wayfinding campus wide.
- 6) Update interior finishes and furnishings.
- 7) Add additional landscaping and site lighting.
- 8) Conduct pre-design review options for student housing.

Attachment B-2

