

BUSINESS AFFAIRS AND HUMAN RESOURCES
MAY 11, 2011

IDAHo STATE UNIVERSITY (ISU)

SUBJECT

Authority to make offer to purchase a building and property associated with the ISU Research and Business Park.

REFERENCE

This item was subject of the Executive Session on April 20, 2011.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.I.2. (Acquisition of Real Property); Section 33-3005, Idaho Code, (State Board, acting as board of trustees for Idaho State University authorized to acquire by purchase, property needed for the operation of the University).

BACKGROUND/ DISCUSSION

Information previously provided:

ISU seeks authority to make an offer to purchase the land (approximately 25 acres) and a 209,000 sq. ft. building which is within the boundaries of the ISU Research and Business Park. Authority might be delegated to the President and/or subject to final approval and review by the Board or Board staff.

Background. In 1985, the Board authorized the establishment of the ISU Research and Business Park ("Park"), and delegated to the President the authority to approve real estate exchanges and transactions within and pertaining to the Park. A Master Plan, including Park covenants, was adopted in 1993, and the Park was incorporated into Pocatello's comprehensive plan and zoned as a "University" zone. The Park was initially 77 acres, and through exchanges and purchases, is now approximately 300 acres. It is designed to enhance the research and teaching components of the University and to promote economic development in the region. The protective covenants, which were part of the Master Plan, allowed for certain activities within the Park, such as the operation of laboratories, offices, prototype manufacturing, research facilities, health related businesses, light manufacturing, etc.

Currently within the Park are operations of ON Semiconductor, Bannock Development Corporation, Positron Systems, Inc., Tetradyne Solutions, the Idaho Accelerator Center, (IAC), the Idaho Veteran's Home, Health District, and Valley Forge Composite Technologies. The IAC alone brought in approximately \$8 million in external funding last year. Generally, the University has either included tenants within its own Park facilities or has provided long-term ground leases with reversionary rights in the land and constructed facilities. However, in 1995, the University conveyed to Ballard Medical, approximately 25 acres of land within the Park, upon which Ballard constructed a 209,000 sq. ft. medical supplies manufacturing and engineering facility. Kimberly-Clark later purchased Ballard's operations, including the land and building, albeit subject to the existing

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covenants and zoning status and a right of first refusal for ISU to purchase at appraised value. Several years ago, Kimberly-Clark closed and moved its operations to Mexico. It offered to sell the property back to ISU. At the time, ISU was not in a position to accept and the property has been on the market since then. Currently there is a pending offer by a private school which would require the City to grant a conditional use permit, and which ISU opposes as inconsistent with the Master Plan. There is also another interested party, a light manufacturer, whose use would likely be consistent with the Master Plan covenants, i.e., would not require any zoning exception or conditional use permit.

Over the years, ISU has explored various opportunities to re-purchase the building or to find a donor. Recently, ISU hired Eric Burgett, Ph.D. in nuclear engineering. Dr. Burgett has brought significant funding in the form of grants and contracts in nuclear engineering, materials science, nanotechnology, green/renewable energy, etc. He is also serving under a joint appointment with the Idaho National Laboratory. There is also significant interest at the federal level in other federal funding agencies, including the National Science Foundation, in funding research of the kind that Dr. Burgett is pursuing. Dr. Burgett will speak to this at the executive session, but the University believes there is an immediate need to house the equipment and research that Dr. Burgett already has commitments and funding for, and that the opportunity to further expand in this area is significant. There are several industry partners who have committed to sub-lease lab space within the facility should ISU acquire it.

Given the other pending offer and the likelihood of another offer by the commercial entity in early May, ISU would request the authority to make an offer for the lease-purchase of the property, and alternatively, the purchase of the property, no later than the end of April. Authority could be delegated or otherwise the transaction could be subject to Board or Board staff review and approval. It is believed that the offer needs to be made within this time frame in order for ISU to have a realistic opportunity to acquire the property. The building itself is in excellent condition, was built with multiple "clean rooms," and is ideal for the kind of research operations envisioned here. It is also believed that the purchase can be made significantly below the appraised price and the current asking price (\$6.7 million).

New Information:

A series of discussions have occurred between ISU and Kimberly-Clark representatives. Subject to Board approval, the parties have agreed upon a sale/purchase price of \$3.6 million. The attached letter dated May 10, 2011, reflects the basic agreed-upon terms, with the final transaction including the Purchase Agreement to be prepared and closing to be held at a later date. Subject to Board approval and/or delegation to the University's Vice President for Finance and Administration and/or review of final documents by Board staff, the University seeks approval to finalize the transaction.

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The purchase price is less than the \$5,000,000 appraised value of the property, and financial projections support this investment.

IMPACT

Dr. Burgett has been awarded approximately \$3.5 million in grant funding since arriving at ISU, and has a significant amount of additional commitments for future funding. Coupled with the sub-lessees who have committed and the potential for other national funding, the University believes the purchase will enable the University to cover all purchase payments, operational costs and enjoy a net revenue surplus.

BOARD ACTION

I move to authorize Idaho State University to enter into an agreement to purchase a building and associated assets located in Pocatello, Idaho, within the boundaries of the Idaho State University Business and Research Park, commonly known as the Ballard Medical Building, for a purchase price not to exceed \$3,600,000, and to authorize James A. Fletcher, ISU Vice President for Finance and Administration, to execute all related closing documents for and on behalf of the State Board of Education for Idaho State University.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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