

HUMBOLDT STATE UNIVERSITY

REAL ESTATE HOLDINGS

A SUPPORTING ORGANIZATION OF HUMBOLDT STATE UNIVERSITY ADVANCEMENT FOUNDATION

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Thursday, September 15, 2016

**Humboldt State University
Arcata, CA**

Present:

Duncan Robins, Chair
Jason Ramos, Secretary/Treasurer (via telephone)
Craig Wruck, President

Guests:

Joyce Lopes, HSU VP of Administrative Affairs
Lola Alto

The Humboldt State University Real Estate Holdings (HSUREH) Board of Directors met on Thursday, September 15, 2016, in room 213 of Nelson Hall West on the campus of Humboldt State University in Arcata, CA.

1. Call to Order

The meeting was called to order by Chair Duncan Robins at 8:04 AM.

2. Visitor Comments

There were no visitor comments.

3. Approval of Agenda

HSUREH President Craig Wruck reviewed the agenda for this initial organizational Board of Directors meeting.

Upon motion duly made, seconded, and unanimously carried, it was

RESOLVED, that the Agenda of the September 15, 2016 meeting are approved.

4. Application for Tax Exemption

Wruck reported that application for 501(c)(3) Federal tax exemption has been submitted to the Internal Revenue Service (IRS). While the application is pending, HSUREH is allowed to operate as a tax-exempt entity. IRS approval will be retroactive to the date the application was submitted. The IRS may take several months before final approval is granted.

HSUREH has opened a checking account with Wells Fargo bank and Humboldt State University is in the process of setting up accounting systems so that HSUREH can commence business operations.

5. Annex and Samoa Boulevard Properties

The Humboldt State University Advancement Foundation (HSUAF) plans to transfer two pieces of real estate to the HSUREH. It was noted that all of the members of the HSUREH Board of Directors also serve as members of the HSUAF Board of Directors and have been party to HSUAF deliberations on this matter. The HSUREH Board reviewed the considerations regarding these properties.

HSUAF acquired the property at 1340 C Street (“the Annex”) at the request of the University with the intention that ownership would be transferred to the University. The Annex is owned as an asset of the HSUAF permanent endowment and is carried at a value of \$1.675 million, the purchase price in 2008. The facility is leased to the University for an annual rent of \$139,200 plus an administrative fee of \$6,000 per year. The rental income is recognized by the Foundation as investment return for the permanent endowment and the administrative fee is recognized operating income for the Foundation. The lease expires in August, 2018.

The HSUAF acquired the property at 1601 Samoa Boulevard (“Samoa Boulevard”) at the request of the University with the intention that the property would be transferred to the University so that its corporation yard could be relocated there. The entire purchase price of the property was financed with a \$2.535 million loan from the California State University Risk Management Association (CSURMA), the CSU insurance exchange. The loan has a variable interest rate and requires interest-only payments. In 2013 the University made a principal payment of \$535,000 on the loan, and CSURMA issued a new interest only loan leaving a balance of \$2.0 million which is due in full in October of 2017. The University leases Samoa Blvd from the HSUAF for rent of \$138,000 annually. The HSUAF has accumulated the net lease income (after interest payments to CSURMA) as temporarily restricted funds. The lease expires in August 2018. The University made the principal

payment in 2013 and expenditures in excess of \$1.0 million for capital maintenance and improvements on the property including seismic retrofits and roof replacement.

Joyce Lopes reported that she has made CSURMA and CSU Chancellor's Office aware of the situation and has begun discussions regarding the CSURMA loan.

Lopes reported that several local federal government agencies have expressed interest in the Samoa Blvd. property and that the University has been negotiating a lease proposal with the General Services Administration (GSA). However the University's proposal has not been accepted because it cannot meet the GSA's requirement that property improvements be completed by the end of February, 2017.

6. Work Plan for FY 2016-17

The memorandum of understanding among HSUREH, the University, and HSUAF outlining the steps to be completed prior to transferring the Annex and Samoa Boulevard to HSUREH was reviewed.

7. University request to acquire property adjacent to campus

Lopes presented a request from the University that the HSUREH acquire a property adjacent to the campus at 570 Granite Avenue., Arcata, CA. The property has not been listed for sale but the owner approached the University to sell it. The University is interested because the property is adjacent to University properties and would be a good long-term acquisition. A Realtor's market analysis suggested a value between \$270,000 and \$280,000. The owner is asking \$300,000. Lopes reported that the University has inspected the property and under the circumstances has determined that the \$300,000 price is appropriate. Lopes proposed that the Humboldt State University Sponsored Programs Foundation (SPF) make a grant of \$350,000 to HSUREH to be used for the acquisition of this property. Lopes reported that the property is currently rented as student housing and that it could continue to operate as a rental on a break-even or better basis. She indicated that the University's Facilities Management department could manage the property for HSUREH.

Upon motion duly made, seconded, and unanimously carried, it was

RESOLVED, that the HSUREH agrees to proceed with the purchase of the 570 Granite Avenue, Arcata, CA property as proposed by the University, provided that a qualified appraisal supports the purchase price, that a financial proforma shows that the property can be operated and maintained on a break-even basis, and that all CSU real estate acquisition requirements are met.

FURTHER RESOLVED, that the purchase price shall be no more than \$300, 000.

8. Other Business

There was no further business.

9. Adjournment

The meeting was adjourned at 9:15 AM. No future meeting was set at this time.