

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Sale of University Land to Ames Community School District
Date: July 7, 2000

Recommended Action:

Authorize the sale of 83.38 acres of Iowa State University land located north of Mortenson Road and west of State Street in Ames, Iowa, to the Ames Community School District at the purchase price of \$25,000 per acre, for a total sale of \$2,084,500, subject to approval of the Executive Council of Iowa.

(ROLL CALL VOTE)

Executive Summary:

In March 2000, the Board authorized Iowa State University to begin the process for selling a total of 122.75 acres of land located southwest of the Main Campus in an area north of Mortenson Road and west of State Street. The parcel, which is no longer needed for University use, includes 83.38 acres of University-owned land and 39.37 acres owned by the ISU Foundation. The University was authorized to sell the land for cash through a public auction process. The University indicated its intent to sell the land at a price equal to or greater than the appraised value, and use the proceeds from the sale of the University-owned land in a manner consistent with the Iowa Code. The Foundation's share of the proceeds would be placed in its endowment.

The public auction was held on June 30, 2000. There were two active bidders. The high bid was received from the Ames Community School District, which bid a price of \$20,500 per acre for the total parcel of 122.75 acres, for a total bid of \$2,516,375 (the equivalent of \$1,709,290 for University land and \$807,085 for Foundation land). However, the School District's bid was below the appraised value of \$25,000 per acre. As a result, the University made a counteroffer to the School District for its purchase of the land at the appraised value of \$25,000 per acre, which the School District has agreed to accept.

Therefore, the University and the Foundation wish to sell the 122.75 acre parcel to the Ames Community School District at the purchase price of \$25,000 per acre, a total of \$3,068,750. Accordingly, the University requests Board approval

of the sale of the University-owned portion of the land, 83.38 acres, at the purchase price of \$25,000 per acre (a total of \$2,084,500), subject to approval of the Executive Council of Iowa. The ISU Foundation will accept the offer for the remaining 39.37 acres (\$984,250), which represents the Foundation's portion of the parcel; this action does not require Board or Executive Council approval.

Background and Analysis:

Iowa Code §262.9 and Procedural Guide §7.10 authorize the Board, with approval of the Executive Council of Iowa, to dispose of real estate belonging to the Regent institutions when the real estate is not necessary for the institutions' purposes. The disposal of real estate is to be made upon such terms, conditions, and consideration as the Board may recommend, subject to Executive Council approval. Procedural Guide §7.10 further states that it is the basic policy of the Board to convey real estate for monetary consideration based on appraisal.

In its March 2000 report to the Board, the University indicated its belief that a public auction of the land would provide the best method to give all interested parties an opportunity to purchase the land. In addition, it was the University's belief that this process would be the fairest and most cost-effective method to maximize its return on the sale.

The public auction was conducted by Rogers and Associates on behalf of Iowa State University and the Iowa State University Foundation on June 30, 2000, at the Holiday Inn – Gateway Center in Ames. In preparation for the auction, Rogers and Associates distributed 5,500 mailings and provided information on-line, including procedures for placing on-line bids. There were more than 53,000 page views of this web site. Additionally, the auction received wide publicity in the Ames area through advertising and local media coverage. More than one dozen individuals or organizations made direct contact with the auction firm and were considered potential serious bidders.

Approximately 50 individuals were in attendance at the auction, with six individuals registering as potential bidders. However, the public auction was conducted with only two active bidders, the Ames Community School District and a private developer from West Des Moines, Iowa.

The land was auctioned as both a single parcel consisting of 122.75 acres, and as three individual parcels of varying sizes. The School District was the only bidder on the total 122.75 acre parcel at the price of \$20,500 per acre. The private developer bid on the individual parcels at substantially lower values

ranging from \$5,500 to \$20,000 per acre, depending upon the parcel. This resulted in a total bid for the entire parcel approximately \$1.1 million below the bid of the School District.

Since the high bid was below the appraised value and the auction was conducted as a reserve auction, the University considered not accepting the bid of the School District since it was below the University's reserve price. However, this action would have eliminated proceeds for both the University and the ISU Foundation. In addition, the University would have continued ownership of a piece of real estate which is no longer needed for its operations.

The University does not believe that re-bidding the land or developing an alternative sale process would likely increase participation or result in a higher sale price for the land. The University attributes the lack of additional bidders at the auction to several factors. Supporters of the Ames Community School District publicly indicated that this land was the only viable site in the District for a new middle school or high school and made a strong public case for sale of the land to the District. The University has indicated that as a result of such efforts, certain local developers publicly stated that they did not want to bid against the School District.

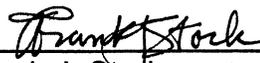
Although widely publicized, the auction did not attract participation by other bidders outside of the immediate area. The University believes that the relatively good economic climate and the difficulty new contractors or developers would have in hiring employees and establishing relationships with subcontractors contributed to the lack of interest among potential developers.

In consideration of these factors, the University submitted the counteroffer to the School District based on the appraised value of the land of \$25,000 per acre, which has been accepted by the District.

The University will be prepared to make an oral presentation and answer questions from Board members relative to the proposed land sale at the July meeting.



Sheila Lodge

Approved: 

Frank J. Sterk