



TOPIC: Salisbury University: Property Transfer from Salisbury University Foundation (Gift to Salisbury University Foundation from Plaza Gallery, LLC) to Salisbury University

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: September 10, 2015

SUMMARY: Salisbury University requests approval to acquire from the Salisbury University Foundation properties located at 208, 210, and 212 West Main Street, Salisbury, Maryland. The properties are approximately one mile north of Salisbury University in the heart of downtown Salisbury and are improved by two, four-story mixed-use buildings consisting of 56,906 square feet (46,662 square feet of net leasable space) that include offices, a small restaurant, and four residential apartments. Though originally built in the 1920's, significant renovations were completed in the 1990's.

The properties are currently owned by Plaza Gallery, LLC, and are expected to be gifted to the Salisbury University Foundation prior to the end of calendar year 2015 in accordance with an MOU between the owner and the Salisbury University Foundation. The Foundation will then transfer the properties as soon as possible thereafter, in accordance with an MOU between the Salisbury University Foundation and Salisbury University.

GRANTOR: Plaza Gallery, LLC
Palmer Gillis and Tony Gilkerson

There are two conditions in the MOU between the Foundation and Plaza Gallery, LLC, to which the University agrees:

- A. The University shall permit The Art Institute and Gallery of Salisbury, Inc. ("The Art Institute") to occupy its current space in the Property rent-free for so long as The Art Institute maintains its gallery and arts-related activities in the space; and
- B. The University shall not rent other spaces located within the Property for less than the prevailing commercial market rent for similar properties located in the downtown Salisbury, Maryland area, except for purposes directly associated with the University or in direct support of the University's mission.

Existing tenant leases have expiration dates varying from August 14, 2015 through December 1, 2022. Leases in effect at the time of transfer to the Salisbury University Foundation, and then to Salisbury University, will be assigned to the University. It is not the University's intention to terminate existing leases, and the University may renew them dependent upon its need for the space at time of renewal.

The University expects to occupy approximately 37% of the building within one year of its acquisition and endeavors to occupy approximately 50% of the building within five years. Ultimately, the expectation is to have Salisbury University occupy 100% of the facility, although it has not yet fully determined what University operations will be housed there. Areas of focus may include, but not be

limited to a Center for Entrepreneurship and Center for Extended and Lifelong Learning, educational offerings, University departments, and Foundation operations.

There is a strong desire on the part of the donor and the City of Salisbury leadership to have Salisbury University play a larger role in downtown revitalization efforts. Having University operations in the downtown is expected to generate foot traffic that will, in turn, increase the likelihood of success toward those efforts.

ALTERNATIVE(S): An alternative would be not to accept this gift of real property. As a result the University would have lost an opportunity to add needed space to its inventory and lose income potential.

FISCAL IMPACT: A recent appraisal for the Salisbury University Foundation in March 2015 and updated in August, valued the property at \$4.4 million. The University will pay settlement-related costs associated with the transfer from the Salisbury University Foundation to the University. The University expects to generate sufficient revenue from commercial leases to cover operating expenses until such time as leases terminate and the University begins to occupy that vacated space.

The University will use self-support funds for settlement-related costs in transferring the properties from the Salisbury University Foundation to Salisbury University and for renovations needed to establish new University operations and/or move existing University operations into the building.

CHANCELLOR'S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve for Salisbury University, the transfer by gift, of property located at 208, 210, and 212 West Main Street, Salisbury, Maryland from the Salisbury University Foundation as described above; and, authorize the Chancellor to execute, after appropriate legal review, all documentation required consistent with the University System of Maryland Policy, Acquisition and Disposition of Real Property.

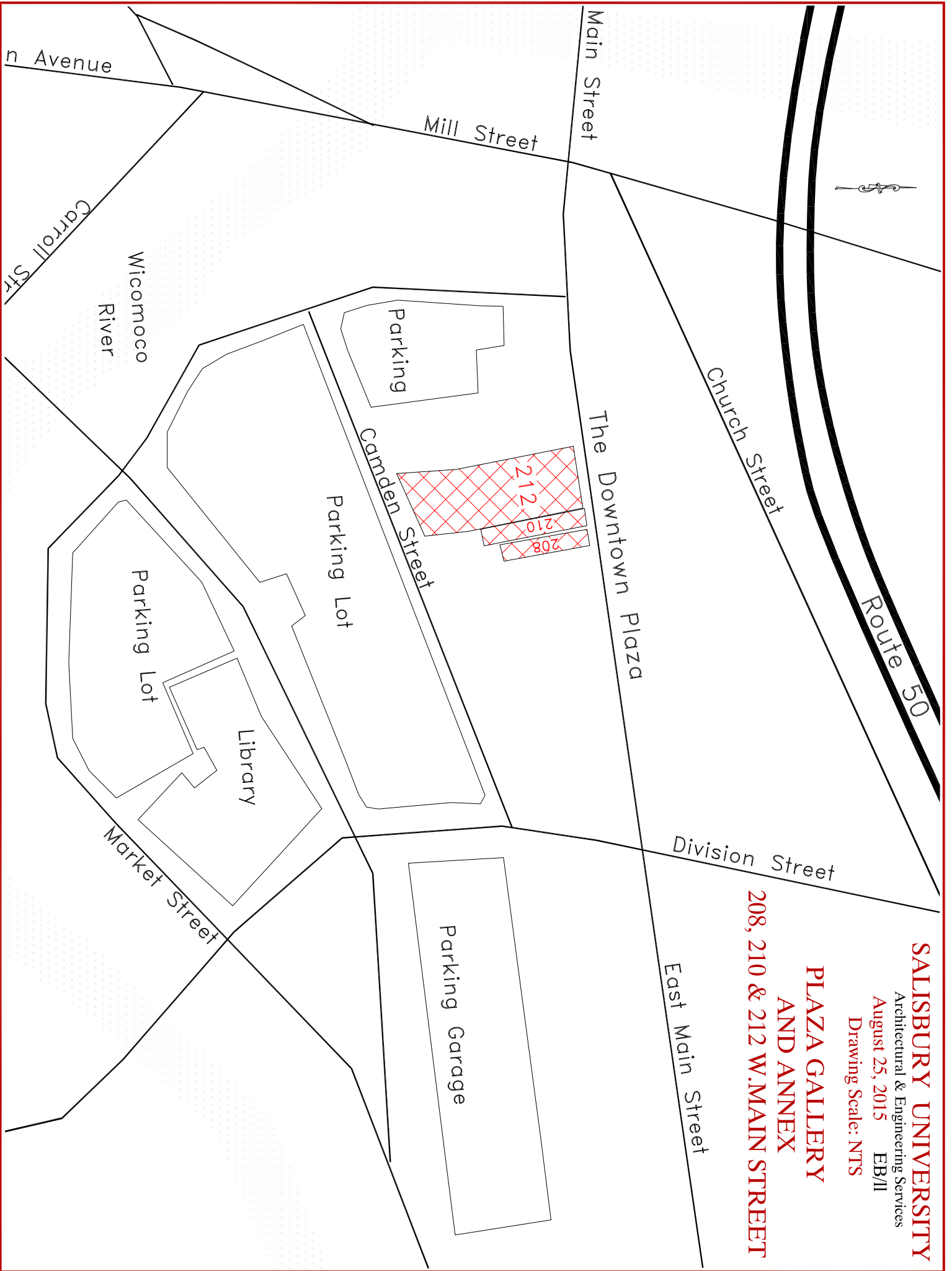
COMMITTEE RECOMMENDATION:

DATE:

BOARD ACTION:

DATE:

SUBMITTED BY: Joseph F. Vivona (301) 445-1923



SALISBURY UNIVERSITY

Architectural & Engineering Services

August 25, 2015 EB/II

Drawing Scale: NTS

**PLAZA GALLERY
AND ANNEX**

208, 210 & 212 W.MAIN STREET