ACTION ITEM #3
WSU Tri-Cities
30-Acre Sale of Real Property to the Richland School District
(Stacy Pearson/Sandra Haynes)

January 23, 2020

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: WSU Tri-Cities (“WSUTC”), 30-Acre Sale of Real Property to the Richland School District

SUBMITTED BY: Stacy Pearson, Vice President for Finance and Administration

PROPOSED: That the WSU Board of Regents authorize the sale of a parcel of land in Richland, Washington totaling approximately 30 acres, identified as Benton County Parcel No. 1-2608-100-0002-002 (the “Property”), to the Richland School District, and delegate authority to the President or his designee to enter into any and all documents necessary to complete this sale.

BACKGROUND INFORMATION: In 1993, the District deeded the 30-acre Property to the University, which is located on the south side of the WSUTC Campus. A copy of the WSUTC Campus Master Plan is illustrated in Attachment “A” and the Property is outlined in red. This was one of the incentives provided to the University by the Tri-Cities to locate a campus in Richland. At the time of the deed, the District had a baseball field, track and field complex, football field and bleacher seating on the Property that was used by the adjacent Hanford High School. The Property was also deeded to the University pursuant to a “Disposition Agreement” that provided continued use by the District of its athletic facilities until such time that the Property was needed by the University for its campus facilities. Under the Disposition Agreement, if the Property were ever needed for WSUTC facilities, WSUTC would have to relocate the District’s original facilities to other property owned by the District, at WSUTC’s expense.

In 2006, the District and WSUTC entered into an Interagency Agreement whereby the District was permitted to improve and supplement its athletic facilities on the Property so long as any required relocation of the new improvements would be at the District’s expense. Since the 1993 Disposition Agreement, the
District has maintained the entire 30-acre Property and has paid all costs of operating the athletic facilities thereon. In 2014, the District and WSUTC also entered into an agreement whereby WSUTC obtained the right to use certain District athletic facilities on the Property.

The District desires to substantially improve its athletic facilities on a portion of the Property owned by WSUTC, and it has obtained approval from its voters to issue bonds for that purpose. Such improvements will include, but not be limited to, new bleacher seating (2,000 seats), restroom facilities, a concession area, artificial field turf and resurfacing of the existing track. The District’s improvements will cost in excess of $6,000,000 and the District does not want to make the improvements on WSUTC’s Property in light of the 2006 Interagency Agreement between the parties, which could require the District to relocate such improvements at the District’s expense.

As a result of the foregoing, the District originally proposed to lease 15 acres of the Property from WSUTC under a long-term ground lease, which we presented to the Board of Regents as a Future Action Item in March 2018. After that meeting, the District’s Board (with community input and support), decided that the District should not build its proposed improvements on land that it does not own, and elected not to proceed with the ground lease. The District then proposed the possibility of “swapping” a 9-acre portion of WSUTC’s Property for a similarly sized portion of Hanford High School’s property. The proposed land swap was presented to the Board of Regents in May 2019, and was approved by Resolution #190503-609.

After the Board of Regents approved the land swap, WSU proceeded to draft the Land Swap Agreement and a new Operating Agreement with the District. During this process, several unforeseen complexities arose in the Operating Agreement with respect to the ongoing operation, maintenance and scheduled use of WSUTC’s and the District’s respective properties. As a result, the District expressed its interest in purchasing the entire 30-acre property, and sent a formal request to the University in a letter dated December 16, 2019. A copy of the District’s letter is provided in Attachment “B”.

The WSUTC Campus supports the sale of the Property to the District as evidenced in Chancellor Haynes’ December 7, 2019 Memo, a copy of which is provided in Attachment “C”. Chancellor Haynes’ Memo contains a detailed justification for WSUTC’s support of the Property to the District.
As part of the proposed sale, WSUTC would continue to have access to the District’s facilities for commencement exercises, pinning ceremonies and for the proposed WSU Summer Football Camp. The District has hired an appraiser to conduct an appraisal of the Property, which should be complete in late January. The appraised value of the Property will exceed $1,000,000. WSUTC desires to move forward with the proposed sale of the Property to the District. Pursuant to the original intent that the Property benefit WSUTC, the proceeds from this sale will be utilized for future projects on the WSUTC campus.

ATTACHMENTS:  
Attachment “A” – WSUTC Campus Master Plan. The 30-acre Property deeded to WSUTC by the District in 1993 is outlined in red.
Attachment “B” – District’s December 16, 2019 Letter
Attachment “C” – Chancellor Haynes’ December 7, 2019 Memo
Attachment “A”

WSUTC Campus Master Plan

30 Acres
December 16, 2019

Ryan Goodell
Executive Director
Contracts and Real Estate Office (CREO)
Washington State University
P.O. Box 641045
Pullman, WA 99164-1045

RE: WSU Tri-Cities Property

Dear Mr. Goodell:

As you know, Washington State University and the Richland School District have been in talks concerning the 30 acres of land adjacent to Hanford High School. The 30 acres is tax parcel #1-2608-100-0002-002. Most recently the two agencies have been working on a land swap whereby WSU would swap 9 acres contained within the 30 acres for 9 acres located just to the south.

While the District appreciates the time and effort the University has shown in drafting the land swap and associated Operating Agreement, it seems that it would be beneficial to all and it is the District's sincere desire to purchase the full 30 acres. This purchase would expedite the projects the District has scheduled for the site while allowing the site to remain available for high school, community, and university use. The District has a recent appraisal for the 9-acre parcels and we have initiated an appraisal of the full 30 acres. The District has sufficient funds currently available to complete a purchase of the 30 acres.

The District will continue to be a good partner with WSU Tri-Cities and is open to allowing the University to use the football field for commencement exercises and pinning ceremonies. The District would welcome an opportunity to host a summer football camp.

Please feel free to contact me if you have any questions and if you would like to explore the purchase and sale further. I can be reached at 509-967-6001 or Rick.Schulte@rsd.edu.

Sincerely,

[Signature]

Dr. Rick Schulte
Superintendent
Richland School District No. 400

Cc: Galt Pettett
Attachment “C”
Chancellor Haynes’ December 7, 2019 Memo

[see attached]
MEMORANDUM

To:       President Schulz and Vice President Stacy Pearson  
From:     Sandra Haynes and Damien J. Sinnott   
Date:     12/07/19  
Re.:      Proposed land sale to Richland School District

INTRODUCTION

In February of 2017, the Richland School District passed a bond which included funds to improve the athletic facilities at Hanford High School adjacent to the WSU Tri-Cities campus. A significant portion of Hanford High School’s current athletic facilities are located on land that the Richland School District transferred to WSU in 1993,1 and initially the Richland School District was interested in repurchasing that land. However, because the land is adjacent to the WSU Tri-Cities campus and is listed in our long-term master plan, we were hesitant to consider selling it. As an alternative, we proposed a long-term land lease which initially seemed feasible to both parties, but after receiving some political pressure the Richland School District was ultimately unwilling to dedicate taxpayer money to the construction of a new facility on land that it did not own. By way of a compromise, the Richland School District proposed a land swap in which WSU would exchange the 9 acres of land that the current athletic facilities sit on, for another 9 acres parcel. (See attached map in Appendix A). Because the proposed parcel that WSU would receive is also adjacent to the remaining land that WSU would retain, and also includes a well-maintained varsity soccer field, we believed that proposed land swap made sense and would be in WSU’s best interest.

After the proposed land swap was presented to, and approved by, the WSU Board of Regents, we proceeded to work with the Richland School District on the documents that would be necessary to complete the transaction; however, in the process of doing so it became clear that there would be numerous unforeseen complexities and challenges moving forward. As a result we are now of the opinion that it would be more beneficial to WSU to forego the land swap and simply resell the entire 30 acre parcel back to the Richland School District for market value and use the sale proceeds to improve athletic facilities on other land on the WSU Tri-Cities campus. The Richland School District remains interested in purchasing this land and is in a position to do so as the bond that it passed included funds for land acquisition.

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1 In 1993, the Richland School District transferred 30 acres of land to WSU. This parcel begins at George Washington Way and runs parallel to Sprout Road and the WSU TC campus. In terms of depth, it extends from Spout road to a point that covers roughly 75% of the existing track and football field. (See attached map in Appendix A).
CHALLENGES WITH THE LAND SWAP

There are a number of practical, logistical, and political challenges that we will face if we move forward with the proposed land swap. Each of these challenges are detailed below, but for all intents and purposes they are all derived from the same source and that is that while WSU received this 30 acre parcel from the Richland School District in 1993, it has essentially owned it in name only—i.e., WSU, the Richland School District, and the greater community have for the last twenty-six years all treated this property as if it was still a part of the Hanford High School campus. At the time of the transfer, Hanford High School had existing athletic facilities on the property which remained in place. Since that time, Hanford High School expanded those facilities to include a J.V. baseball and softball field which they use for their own teams and also for community teams and youth tournaments. By agreement, Hanford High School has also been responsible for maintaining the property and for scheduling its use (when a community member wants to use the fields on this property it contacts Hanford High School to make the arrangements and pays Hanford High School a small administrative fee. Likewise, when WSU wants to use this property, that it owns, it also has to contact Hanford High School to make arrangements). As we proceeded to work through the details of the proposed land swap, it became apparent how difficult it will be to undue and unwind this longstanding practice.

One of our bigger concerns moving forward has been with the idea that the Richland School District has maintained control of scheduling use of WSU property—it simply did not make sense to us that we had to make arrangements with another entity to use our own property, and we had some liability concerns when we realized that the Richland School District was making WSU property available for wide-spread community use. We were also concerned that some of that community use might not be in compliance with the limitations set forth in the Washington Administrative Code’s provisions regarding use of University property. Accordingly, as we worked with the Richland School District to draft a new post-land swap operating agreement it was our intent to change this practice and return control of University owned property to WSU. However, the Richland School District was hesitant to agree to this, largely because they have become accustomed to using the property as their own (as an example they regularly use the fields for P.E. classes and thought that the idea of having to schedule and/or ask us for permission each time they want to use it would be challenging). In addition, during our discussions it became clear that the Richland School District has made this property available for community use at a much greater magnitude than we were aware of—for community soccer teams’ practices, baseball tournaments, lacrosse, ultimate frisbee, etc., and all without WSU knowledge, involvement, or oversight. Once we became aware of the magnitude of use, we had concerns that the WSU Tri-Cities campus lacks the resources necessary to handle the scheduling and logistical support for this volume of use. Furthermore, in our experience, the WSU service center model will make it difficult if not impossible to continue to make this property available for community use at the
minimal rate that the Richland School District has been charging. Thus, we foresee practical and logistical problems if we move forward, but also a public relations problem if community members are no longer able to use this property in the way that they have become accustomed because WSU is either unwilling or unable to allow them to do so.

As we discussed the details of the land swap with the Richland School District, it also became apparent that the Richland School District had hopes of treating the 9 acre parcel that WSU would be receiving in a similar manner. We had tentatively agreed to allow the Hanford High School varsity soccer teams to continue to utilize the soccer fields on the property for their games, in exchange for the District’s agreement to continue to maintain the fields, but when we started talking about details like signage it became clear that the Richland School District had not fully anticipated WSU treating this property as its own. By way of example, they disclosed that they had been in negotiations with a local financial institution for an exclusive sponsorship and had envisioned putting this institution’s logo on all of the athletic signs on the Hanford High School campus—including the soccer field sign that WSU would now own. They understood why this would be problematic for us—particularly as we may want to negotiate sponsorships on our own behalf and for our own needs—but it was emblematic of the challenges associated with reversing course on the longstanding practice of treating this property as if it was still owned by the Richland School District.

PROPOSED SALE

In light of the challenges identified above, we believe that it may be in the best of interest of WSU to forego the idea of a land swap and instead to simply sell the 30 acre parcel back to the Richland School District. While this property is adjacent to our campus, it is not really a part of it and has not been treated as such. We have included it in our long-term master plan, but we do not have any particular short-term plans for it, and truthfully do not envision any long-term use for it either. We have discussed this with our Vice-Chancellor of Finance & Administration, and his opinion is that we have an abundance of land that is sufficient to meet our campus needs and accommodate our anticipated growth for the next one hundred years or more. Based on our preliminary analysis of market rates, a sale of this 30 acre parcel will likely yield proceeds in the range of $1.7-$2 million dollars—a portion of which could be used to build out new fields on the WSU Tri-Cities campus to accommodate current and future athletic needs, with the remainder being available to supplement and improve other campus infrastructure. Accordingly, it is our recommendation that we seek the Board of Regent’s permission to forego the land swap and proceed with a sale of this 30 acre parcel.
BOARD OF REGENTS

Sale of Real Property (30 Acres) located in Richland, WA

Resolution #200124-618

WHEREAS, the Board of Regents of Washington State University by virtue of RCW 28B.10.528 has authority to delegate by resolution to the President of the University, or designee, powers and duties vested in or imposed upon the Board by law and to enable the President, or designee to act on behalf of the Board of Regents in matters relating to the administration and governance of the University.

RESOLVED: That the Board of Regents authorize the sale of a parcel of vacant land in Richland, Washington totaling 30 acres, identified as Benton County Parcel No. 1-2608-100-0002-002 (the “Property”), and delegate authority to the President or his designee to enter into any and all documents necessary to complete this sale of the Property to the Richland School District.

Dated this 24th day of January, 2020.

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Chair, Board of Regents

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Secretary, Board of Regents