





UNIVERSITY OF CONNECTICUT

July 6, 2018

TO: Members of the Board of Trustees

FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

Richard F. Orr 
Special Counsel

RE: Sale of the West Hartford Campus

RECOMMENDATION:

The administration is seeking Board of Trustees approval to sell the former West Hartford Campus (the “Property”) to Seven Stars Cloud Group, Inc. (“Seven Stars”) for a purchase price of \$5.2 million. The essential terms are set forth below. Seven Stars has agreed that the obligation to buy (i) is not contingent on getting Town of West Hartford approval for their proposed development and (ii) is not contingent on any further environmental investigation.

On the contrary, Seven Stars has agreed to assume full responsibility for all environmental conditions on the Property. Moreover Seven Stars has agreed to back that commitment with a financial assurance and an environmental insurance policy.

Accordingly, the administration recommends that the Board of Trustees authorize the administration to negotiate and execute a Purchase & Sale Agreement with Seven Stars on the terms set forth below.

BACKGROUND:

UConn’s Relocation from West Hartford to Hartford

The former West Hartford Campus occupies approximately 58 acres in West Hartford on the north side of Asylum Avenue at the intersection of Trout Brook Drive. The Property includes five buildings: the Harleigh B. Tracker Library; the Information Technology Center building; the School of Social Work building; the Undergraduate building; and a Facilities Operations building.

In the fall of 2017 the operations of the University’s West Hartford Campus moved to the City of Hartford at a site anchored by the former Hartford Times building.

The University no longer needs the land and buildings which comprise the West Hartford Campus.

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Sale Process to Date

There have been many steps in the efforts to sell the Property. In summary they include:

- On December 1, 2015, UConn notified the Town of West Hartford (the “Town”) of the University’s intent to sell the Property and gave the Town the first opportunity to buy the Property. The Town gave notice of its intent to purchase but the Town and UConn did not come to terms and UConn became free to sell to another buyer.
- In March 2016, UConn and Weiming Educational Group (“WEG”) signed a letter of intent. The Board of Trustees authorized the administration to simultaneously pursue a sale to WEG or to the Town.
- The Town and UConn entered into a purchase and sale agreement effective July 14, 2016 to sell the Property on October 1, 2017. The purchase price was \$5 million. This agreement gave the Town permission to conduct environmental and other inspections until October 12, 2016. UConn consented to seven extensions. The final extension was granted on September 14, 2017. It established a new deadline of December 15, 2017. UConn notified the town there would be no further extensions.
- On December 13, 2017 the Town notified UConn that the Town Council had voted to terminate the agreement to purchase. The Town forfeited its deposit of \$250,000.
- Since that termination, UConn has been marketing the Property directly. There is no real estate broker and no commission.
- A Letter of Intent was executed between UConn and Seven Stars on May 17, 2018.

Material Terms between UConn and Seven Stars

Purchase Price

Five Million, Two Hundred Thousand Dollars (\$5,200,000).

Deposit

Five Hundred Twenty Thousand Dollars (\$520,000) payable upon execution of the purchase and sale agreement.

Environmental

Testing by the Town and subsequent testing by UConn confirmed the presence of PCBs in certain building materials and in the soil surrounding certain buildings. UConn has implemented interim remedial measures, including fencing the buildings. No overall remediation has been initiated pending the sale.

Seven Stars has agreed to the following terms:

- First, the sale is not contingent on any further environmental investigation by Seven Stars. They have agreed to purchase the Property “as is” and “with all faults” and have agreed to release any claims against UConn and the State relating to the condition of the Property, including environmental conditions.
- Second, Seven Stars has affirmatively agreed to be responsible for cleanup of the PCBs and all other environmental matters required by state and federal environmental regulators at no cost to UConn and to indemnify UConn and the State.
- Third, Seven Stars has agreed to have a bank post a letter of credit of up to \$8 million to provide financial security for the fulfillment of these clean up obligations. If Seven Stars defaults, the bank issuing the letter of credit will provide the funds.
- Fourth, Seven Stars has agreed to purchase a site specific environmental pollution legal liability (PLL) insurance policy. UConn and the State of Connecticut will be named insureds. UConn will specify the terms of the insurance and Seven Stars will pay the premium up to a total cost of \$250,000. UConn expects that it will be able to obtain insurance with coverage of more than \$15 million and for a duration of 10 years.

Town Approval

Town approval will be required in order for Seven Stars to implement its development plan on the Property. Frequently a purchase contract is contingent on such approvals so that if the Town does not approve, the buyer can walk away.

Seven Stars has agreed to purchase the Property without any contingency for Town approvals.

Other Contingencies

- The University understands that Seven Stars is seeking economic development assistance from the State. This sale is not contingent on Seven Stars obtaining such assistance.
- Seven Stars has expressed interest in collaborating with UConn in technology, engineering and other matters. This sale is not contingent on any collaboration.

University Use of the Property

The Extension Service continues to occupy the former Information Technologies building. They are scheduled to move to a different location in August. Seven Stars has agreed that if that move is delayed, Extension may remain in that building until November 29, 2018 at no cost to UConn.

Ballfields

The University has leased to the Town land on the east side of Trout Brook Drive containing ballfields. The sale to Seven Stars is subject to the Town's rights to continue to use the ballfields for the remainder of the lease term. The current term expires June 20, 2020 but the Town has the right to extend the term for additional five years to June 30, 2025.

Timing

Execution of the purchase and sale agreement will follow soon after Board approval. Prior to closing, the final language of the letter of credit and insurance policy will be negotiated. In addition, certain statutory processes are required. Closing and transfer of title is anticipated to occur in early fall. Upon closing, the maintenance and operations expenses to UConn will end.

Restrictions on the Use of Sale Proceeds

The funds received by the University from the sale will likely have to be applied to capital projects and will not be available to offset operating expenses. This is for two reasons.

First, some of the bonds which financed the improvements at the West Hartford campus are still outstanding. Bond Counsel has advised that the funds received by the University from the sale of the West Hartford Campus must be rolled into other capital projects under applicable bond requirements.

Second, separate from the bond requirements, a state statute requires that the proceeds from the sale of land by constituent units of higher education be applied to a capital reserve account for capital projects. See Conn. Gen. Stat. Sec. 3-123f.

Thus, the proceeds of the sale of the Property would be available to supplement the University's existing capital projects budget, but the proceeds could not be applied for operational matters such as paying operating expenses or replacing funds lost because of rescissions to the state block grant.

The Office of the State Treasurer has confirmed that there is nothing about the proposed sale that will adversely affect any tax-exempt bond.

RESOLUTION

For the reasons set forth above, the University administration recommends that the Board of Trustees adopt the following resolution:

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF CONNECTICUT:

The Board of Trustees authorizes the University's President and administration to negotiate and execute with Seven Stars a purchase & sale agreement for the sale of the Property to Seven Stars pursuant to the terms described above and such other terms as may be deemed advisable and in the best interest of the University by the University's President and administration.

The Board of Trustees further authorizes the University's President and administration to execute, deliver and perform, in the name of and on behalf of the University, such other certificates, instruments, documents, agreements and actions as each of them may deem necessary, useful or required in furtherance of the foregoing Resolution.

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