

May 17-18, 2023

**ITEM 206-2006-R0523**

**Request for Authorization to Enter into a Ground Lease with Hotel Developer CH BZN Hotel 1, LLC on a Parcel of Land Located on the MSU Campus; Montana State University**

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**THAT**

Consistent with the Board's authority to manage and control the Montana University System and in accordance with BOR Policy 1003.6, the Board of Regents authorizes Montana State University to enter into a ground lease with CH BZN Hotel 1, LLC for the purpose of developing and building a 153-key hotel to support academic functions related to hospitality; and serve campus and the surrounding community.

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**EXPLANATION**

1. The term of the ground lease shall be for an initial 40-year term with an option to extend an additional 10 years with an 18-month notice prior to the end of the initial term.
2. Base rent shall be \$1/year until the 4<sup>th</sup> anniversary of the opening of the hotel. Following the 4<sup>th</sup> anniversary of the hotel opening, MSU is entitled to a guaranteed annual ground lease rental payment equal to the greater of (x) \$125,000 with a minimum 1.5% escalation every 5 years or (y) a 40% cash flow participation (after payment of expenses, senior debt service and a preferred 10% return on cash equity contributed by the Developer or its affiliates).
3. The hotel will be open for instructional use by MSU Hospitality and Culinary Arts programs upon terms mutually agreed upon by Developer and MSU.
4. The hotel will provide Hospitality Management and Culinary Arts students ~~use of an opportunity to utilize~~ the facility as part of their curriculum at Montana State. Opportunity for hands-on experience in the operation and management aspects of the hospitality industry will enhance the Hospitality and Culinary Arts program and be foundational to the development of students' career paths and prepare them for advanced internships in hospitality enterprises throughout the state, especially during the existing and forecasted shortfall of trained workers in these hospitality fields. The hotel ~~will~~ ~~may~~ contain instructional spaces for students to gain real-work experience prior to graduation.
5. The hotel will be responsible for mitigating parking and will be required to offset their parking impacts to the campus through a parking agreement as agreed to with MSU. The hotel will provide on-site parking to accommodate a minimum of 100 parking spots and commit to providing additional parking as demand grows.
6. Upon expiration or earlier termination of the ground lease, the Developer or its affiliate shall turn over possession and control of the constructed improvements in good condition, provided however, if, on or before the date that is 96 months prior to the scheduled lease expiration, MSU notifies Developer remove (rather than turn over) the constructed improvements at lease expiration, then, from and after receipt of such notice, Developer shall reserve such amounts as it deems necessary.

Items in color are additions made to this item on 5/17/2023.

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**ATTACHMENTS**

Attachment #1: Lease Abstract