

## **CHAPTER 15-17 INSTITUTIONAL HOLDING ASSOCIATIONS**

### **15-17-01. Institutional holding associations authorized.**

Nonprofit corporations to be known as institutional holding associations may be formed in the manner, for the purposes, and with the powers, obligations, and limitations prescribed by the applicable provisions of chapter 10-33, except as otherwise provided in this chapter.

### **15-17-02. Powers of institutional holding association.**

An institutional holding association has the power:

1. To erect, equip, operate, manage, lease, or sell, as provided in this chapter, dormitories and their necessary equipment and appurtenances to be located upon the campus of the university, of the state university, or of any of the normal schools, or other state educational institutions, or upon sites in the vicinity of any such campus, purchased or otherwise acquired by the association, either as a new dormitory or as an addition to an existing dormitory at any such educational institution. Such dormitory at all times must be used and operated solely for educational purposes in connection with such educational institution.
2. To borrow money or contract debts for any or all of the purposes mentioned in subsection 1 and to issue bonds or other evidences of indebtedness therefor.
3. To secure the payment of evidences of indebtedness issued by it by mortgaging or pledging any or all of its property and the income therefrom.
4. To perform all acts necessary or convenient to exercise the powers granted in this section and to accomplish the purposes of this chapter and to obtain loans from federal lending corporations or other federal agencies upon such terms and conditions consistent with the law of this state as such lending corporations or agencies may impose.
5. To accept grants of money, materials, or property of any kind from the United States of America, or any agency thereof, upon such terms and conditions consistent with the law of this state as the United States or any such agency may impose, and the value of such grants must be omitted from consideration in determining the cost of site, building, and equipment.

### **15-17-03. Limitations on powers of institutional holding association.**

An institutional holding association is subject to the following limitations and restrictions:

1. Dormitories and their equipment and appurtenances must be erected and installed only according to plans and specifications therefor approved by the state board of higher education and at a cost for site, building, and equipment to be fixed by the board within the maximum limit provided in this section.
2. Such dormitories and their equipment and appurtenances must be owned, managed, operated, and conducted at all times by the association, its successors or assigns, solely for the educational purpose provided in this chapter in connection with one of the state educational institutions and must be under the control and supervision of the state board of higher education, and operated according to such rules and regulations, including rental charges, as must be prescribed by the board, but such rental charges may not be less than an amount sufficient to pay the interest on the bonded indebtedness and the serial bonds of the association as they mature.
3. An institutional holding association must be nonprofit sharing, shall issue no corporate stock, and no member of the association may have or acquire any divisional or other share or interest in any of its property.
4. The income of such association must be applied only to the payment of its debts and operating expenses, including necessary repairs and upkeep of its properties.
5. When all of the debts against any site, dormitory, and equipment are paid, all of the right, title, and interest of the association or its successors or assigns therein

- terminates immediately, and the same becomes the property of and must be conveyed to the state.
6. Any transfer or encumbrance of the property of an institutional holding association, except as permitted in this chapter, is prohibited and is null and void.
  7. The amount of money borrowed or debts contracted by an institutional holding association may not exceed the aggregate cost of the site, dormitory, and equipment as fixed by the state board of higher education, and the payment thereof may not extend over a period of more than fifty years. The terms and conditions of such loans or debts, except as herein provided, must be fixed and approved by the board.
  8. Dormitories must be erected only at the state educational institutions herein named within the cost limits for site, building, and equipment herein specified:
    - a. One at or near the university at a cost of not more than two hundred thousand dollars.
    - b. One at or near the North Dakota state university of agriculture and applied science at a cost of not more than two hundred thousand dollars.
    - c. One at or near each of the normal schools located at Valley City, Mayville, Minot, and Dickinson at a cost of not more than one hundred fifty thousand dollars.
    - d. One at or near the state school of science at Wahpeton at a cost of not more than one hundred thousand dollars.
    - e. One at or near Dakota college, Bottineau at a cost of not more than fifty thousand dollars.
  9. No dormitory may be erected upon the campus of any state educational institution until a written permit therefor first is granted and issued to the association by the state board of higher education. Such permit must describe the ground to be used and must provide that the dormitory to be erected thereon must be erected, owned, and operated only by the association, its successors and assigns. The association and its successors and assigns shall acquire no right, title, or interest in and to the campus site, the dormitory erected thereon, or the equipment thereof, except the right to operate the dormitory solely for the educational purposes, in the manner, and upon the terms and conditions provided in this chapter.

**15-17-04. Articles of incorporation of institutional holding associations.**

The articles of incorporation of an institutional holding association must contain the following:

1. The name of the association.
2. The place, which must be within this state, where its business will be transacted, and the name of the educational institution in connection with which it will operate.
3. The term for which it is to exist.
4. A provision that it is formed under this chapter to carry out the objects and purposes thereof.
5. The number of its members and the condition of membership and succession in the association.
6. The number of its trustees, who may or may not be members, and the names and residences of the persons who shall serve as trustees until their successors are elected and qualified.

**15-17-05. State board of higher education may lease or purchase dormitory - State to incur no liability.**

The state board of higher education has the power, and the state shall incur no liability whatever by reason of the exercise of the authority granted to the board of higher education by this chapter:

1. To take all necessary and proper action and proceedings to carry out the terms and provisions of this chapter and to do and perform all of the acts and duties imposed upon said board.
2. To lease from an institutional holding association, its successors or assigns, the site, dormitory, and equipment, or any of them, for a term of not to exceed fifty years, to be

used and operated by the board solely for educational purposes in connection with one of the educational institutions enumerated in this chapter. Such lease must provide for the payment to such association, its successors or assigns, of a net cash annual rental of not more than fifteen percent of the cost of the site, dormitory, and equipment, but at least equal to an amount sufficient to pay the interest on the bonded indebtedness of the association and to retire its serial bonds as they mature. The annual rental shall be payable solely and exclusively out of the income derived from the operation of the dormitory.

3. To purchase from an institutional holding association, its successors or assigns, the site, dormitory, and equipment, or any of them, at a price not to exceed the cost of the same, to be used and operated by said board solely for educational purposes in connection with one of the educational institutions enumerated in this chapter. Such purchase price shall be payable for not more than fifty years, in annual installments of not more than fifteen percent of the purchase price, at a rate of interest of not more than five percent per annum, payable semiannually, and shall be payable solely and exclusively out of the income derived from the operation of such dormitory.

**15-17-06. Property of and evidence of indebtedness issued by institutional holding association exempt from taxation.**

Any site, dormitory, equipment, or appurtenances acquired, purchased, erected, installed, owned, operated, or maintained by an institutional holding association, its successors or assigns, as provided in this chapter, and all bonds or other evidences of indebtedness issued lawfully by such association, are exempt from taxation.