Action Requested: Consider recommending to the Board approval of: two leases for the benefit of the University of Iowa; and one lease for the benefit of Iowa State University; subject to approval of the final documents by the Board Office and Attorney General’s Office.

Executive Summary: Iowa Code §262.11 requires that certain agreements, leases, and easements be approved by the Board of Regents by roll call vote. The lease agreements have been reviewed by the Attorney General’s Office. An indemnification clause is included in each.

University of Iowa with the Board as Tenant for the following lease:

James P. Hayes

The University of Iowa requests approval for a lease with James P. Hayes for property consisting of four consecutive parcels, the addresses of which are 1205, 1131, 1137, and 1211 East Burlington Street, Iowa City, Iowa.

- 1205 East Burlington Street - duplex built in 1910 - 1,571 square feet on 9,000 square foot lot
- 1131 East Burlington Street - large single family house built in 1910 - 2,738 square feet on 8,250 square foot lot
- 1137 East Burlington Street – duplex built in 1910 - 1,790 square feet on 9,750 square foot lot
- 1211 East Burlington Street- duplex built in 1900 - 1,583 square feet on 9,000 square foot lot

All four properties are in excellent condition and are adjacent to the Grant Wood home. See Attachments A and B for maps of the locations. The University currently leases two of the homes, 1131 and 1205 East Burlington, as housing for visiting faculty in the School of Art and Art History that come to the University as Grant Wood Fellows.

The lease is for a twenty-year term commencing on July 1, 2015, with two five-year renewal options. The monthly base rate would be $4,635 per month, increasing at 2% annually. The University would be responsible for all utilities, property taxes, insurance, maintenance and upkeep on the homes. The University would pay an additional $416 per month as reimbursement to the Landlord for the costs of HVAC upgrades and repairs. The additional payment would continue until the final payment in July 2019. Payments would be made from rental income received from sub-tenants of the property.
These four homes are part of a gift agreement between James P. Hayes and the University. All four homes and the Landlord’s personal residence (Grant Wood’s former home) adjacent to these four homes, will be gifted to the University upon the death of the Landlord. The four homes (and eventually the Grant Wood home) will comprise the Grant Wood Art Colony being master-planned by the University. Entering into the long term lease now would enable the University to begin planning capital investments into the properties. The University has been contacted by a donor who wishes to make a charitable contribution to a project for the homes (new decorative fencing around the property). Per IRS gift rules, having the property under a 20-year lease prior to the formal transfer of ownership pursuant to the gift, will allow the donor to make the capital contribution directly to the University and for the donor to then receive acknowledgement of the gift from the University.

University of Iowa with the Board as Tenant for the following lease

North Dodge Medical Holdings, LLC

The University of Iowa requests approval of lease for approximately 55,000 gross square feet of medical clinic and office space in a new facility to be constructed by North Dodge Medical Holdings, LLC at 1301 N. Dodge Street, Iowa City, Iowa. The facility would include ample surface parking to meet City code and the needs and expectations of patients. The location, on the corner of a major gateway road from I-80 to downtown Iowa City and the University Campus, was chosen by UIHC after an extensive search of available building lots in the near east side of Iowa City. It would provide UIHC with a strategically located clinic adjacent to a new Hy-Vee grocery store now under construction, and in the center of an area targeted by UIHC for new patient growth; there are no other UIHC clinics in this part of Iowa City. See Attachments C and D for maps of the location.

The lease term is for 12 years, commencing upon final completion of the new building and certificate of occupancy, with 3 additional five-year extension options. Payments would be made from UIHC operating revenue.

This building is being designed jointly by the Landlord and the University (UIHC) to meet specific clinical needs and functions aimed at the patient experience. Since UIHC will be the sole tenant in the facility to be constructed to its specifications, and the building design and finishes are still being developed, the University and Landlord have agreed to a cost plus contract. Each major building component will be competitively bid, and University will pay a lease rate for the first 36 months of the lease based on the actual building cost, land costs, with architect, engineering, and development fees all factored into the rate. The Capitalization Rate would be tied to the 10-year Treasury Rate, plus 5.5%, per the lease rate formula set forth in the lease agreement. According to terms of the lease, the capitalization rate will be not less than 7.75% and not more than 8.75%. The base rate in Lease Year 4, Lease Year 7 and Lease Year 10 will increase from the previous base rent rate by the percentage increase in the Consumer Price Index. Additional rent would include 100% of the actual operating costs and taxes, including property taxes. This lease formula was utilized on the UIHC Support Services Building, for which the Board approved a lease in October, 2013.
This space will be used as a primary care clinic for the departments of Pediatrics, Internal Medicine and OB-GYN, with each department having both dedicated and shared clinic space and offices within the facility. The clinic will also be convenient for existing patients who live on the east side of Iowa City and northeastern parts of Johnson County; they will no longer need to come to the main UIHC campus for primary care office visits.

The University will have an option to purchase the property at the end of the initial term (end of year 12) at a price to be mutually agreed upon by the parties at the time the option is exercised.

Iowa State University with the Board as owner for the following land lease:

CB Solar, Inc.

As part of Iowa State University’s effort to diversify energy sources and have access to solar facilities on campus, the University is receiving a solar system gift from an Iowa firm. The solar system would be installed on land just north of the University’s power plant cooling towers near the University’s small wind turbine. Iowa State University requests approval to lease a 12,000 square foot parcel to CB Solar, Inc. for a 10 year period to accommodate this installation. The lease would commence on June 6, 2015 and end on June 5, 2025 unless terminated sooner.

This arrangement would allow the contractor to retain any renewable energy tax credits that are applicable to the system and allow the University to receive the generated solar power at no cost in lieu of rent. ISU will provide generated electricity records to CB Solar on an annual basis.

In addition to providing solar power, the facility would be available for education and research purposes. See Attachment E for a map of the location.

Additional information is available from the Board Office.
The University of Iowa

Location Map:

1131 - 1211
E Burlington St
Overview

Plotter: Thursday, March 12, 2015

1" = 900'