

Contact: Jean Friedrich

**PROPERTY ACQUISITION: GIFT AGREEMENT WITH AIB COLLEGE OF BUSINESS**

**Action Requested:** Consider recommending to the Board approval of the Gift Agreement between AIB College of Business and the University of Iowa and authorization for the University and the Board's Executive Director to take further actions as needed to complete the gifting process.

**Executive Summary:** Iowa Code §262.11 requires that property management, the purchase of land, and use of land as well as agreements, leases and easements be approved by the Board of Regents by roll call vote. Under Board Policy, approval includes the procurement of real property by gift, grant, purchase or any other method. The agreement has been reviewed and approved by the Attorney General's Office.

The University is grateful for the gift of real estate to be used for the University of Iowa for educational purposes and requests Board approval of the Gift Agreement between AIB College of Business and the University of Iowa:

**Background**

The American Institute of Business (AIB) is a private, not-for-profit educational institution in Des Moines that has operated programs since 1921. At the beginning of 2015, AIB announced its intentions to close following the 2015-2016 academic year and gift remaining assets to the University of Iowa. Since that announcement, there have been extensive discussions of how this could work successfully to meet AIB gifting intentions and to assure this was an appropriate location for delivery of educational programming in Des Moines. The University of Iowa conducted multifaceted due diligence on the assets and transfer issues. AIB has been very accommodating through this process and has enabled many University of Iowa personnel and consultants, as well as Board Office staff to tour the facilities. Several members of the Board of Regents were also able to tour the AIB campus during this time.

The result of this process is a proposed Gift Agreement for which the University requests Board approval. The principal element of the gift is the real estate and improvements comprising the AIB campus located at Fleur Drive and Bell Avenue, between downtown Des Moines and the Des Moines Airport. There are a total of approximately 20 acres and numerous buildings. The most recent assessed valuation of the real estate property by Polk County is \$21.55 million, exclusive of equipment, other personal property and financial assets. See Attachment A for a map of the location and different parcels discussed in this memo.

The Gift Agreement highlights the proposed use of the assets to further education in Des Moines and central Iowa. It has been approved by the AIB Board of Directors. The Gift Agreement recognizes the review begun by the Board of Regents to assess long-term higher education needs and means of delivery in the Des Moines community, as well as the University of Iowa's expectation of offering selected degree programs at the AIB site in Fall 2016.

The proposed AIB gift includes the properties at the Fleur Drive and Bell Avenue location. It includes five academic buildings constructed by AIB for the purpose of its academic and student housing programs. Additional buildings on the southern portion of the AIB campus were acquired as multi-unit housing and some were converted by AIB to house academic support functions. The principal buildings of potential use by the University of Iowa are: Fenton Administration, Fenton Housing Units – East and West, Wells Hall, and the Activities (Recreation) Center.

The AIB property also consists of furniture, equipment, supplies and other personal property. These assets could be included in the gift as mutually determined by AIB and the University.

The 20 acre parcel is categorized within the Gift Agreement as being within three geographic units, each treated separately. The AIB Board intends that the portion of the Campus to be gifted to the University at closing on July 1, 2016 includes the real estate and improvements identified as the Bell Avenue Parcel. The principal buildings and access points along Fleur Drive and Bell Avenue of interest to the University of Iowa are within this parcel.

The other two parcels contain multi-apartment housing units. The Fleur Drive Parcel is anticipated to be gifted by AIB to the University of Iowa, but the Gift Agreement holds its disposition until there is a better understanding of AIB remaining costs, revenues and contingencies. The SW 23<sup>rd</sup> Street Parcel is now in the process of sale by the AIB Board to raise funds to continue the College's programming this academic year and to have funds available to cover post-closing contingencies.

The University would be responsible for payment of all recording fees and other closing costs related to the conveyance and transfer of the gift assets at closing, except that AIB would be responsible for payment of its own attorney's fees related to the transactions contemplated by the Agreement.

### **Physical Condition Report on AIB Property in Des Moines**

Physical assessments have been completed for the Des Moines property proposed by AIB to be gifted to the University of Iowa. The assessments included multiple walk-throughs by University of Iowa facilities engineers, housing staff, and information technology staff. Additional steps taken by the University included completion of an environmental assessment of the property by an external engineering firm (Braun Intertech) and the completion of an infrastructure assessment by a facilities engineering assessment firm, ISES Corporation of Duluth, GA. The Phase I Environmental Assessment performed on the AIB site reported no problems.

The facilities assessment by ISES took place this past summer. It included extensive on-site inspections, with an emphasis on the five buildings the University is most likely to retain and utilize (see above). The remainder of the AIB buildings are multi-unit housing that are unlikely to be used by the University except in the short-term for any immediate needs or for lease to third parties.

Key points from the assessment are that there are no mandatory pre-occupancy stewardship needs cited; however, there are fire safety projects the University would like to undertake to modernize fire alarm systems and extend fire suppression systems in the five buildings. The most essential building for initial occupancy is Fenton Administration; costs for desired fire safety improvements are projected by ISES to be \$215,000, which would be funded by Treasurer's Temporary Investment Income.

### **Summary of Gift Agreement**

The Gift Agreement was developed mutually by AIB, its legal counsel, and the University of Iowa. It represents a fulfillment of what the AIB Board wants to achieve in advancing higher education after AIB ceases to exist, as well as what the University of Iowa is capable of delivering for the benefit of the greater Des Moines and Central Iowa community.

Key provisions are that the real estate transfer is to take place on July 1, 2016 and that the AIB Board will continue to function thereafter for the purpose of wind-down operations. These operations will be to deal with revenues and expenses not fully resolved on July 1, 2016, as well as deal with contingent liabilities for a period consistent with the State of Iowa not-for-profit organization statutes.

The Gift Agreement cites that the University of Iowa uses of the gift will be “to conduct programs of higher education for the benefit and enrichment of the citizens of the greater Des Moines and Central Iowa areas.” The University of Iowa acknowledges it has no current plan or intention to sell or transfer the asset to a third party for economic purposes. However, the University of Iowa has disclosed fully to the AIB administration its participation in a Board of Regents’ assessment of longer-term educational needs in greater Des Moines and determination of the best options for delivering those programs by Regent universities.

The Gift Agreement cites that any proceeds of a sale of this real estate by the University of Iowa would be used for student financial aid or for continued support of Des Moines area academic programming.

The Gift Agreement cites the commitment to maintain the names of buildings given honorific names by AIB (e.g. Fenton Administration Building). It also cites the University of Iowa’s responsibility to create a professional video that highlights AIB’s past and its many contributions to Iowa.

AIB will have responsibility to maintain all properties and on-going casualty loss insurance through the anticipated July 1, 2016 closing date.

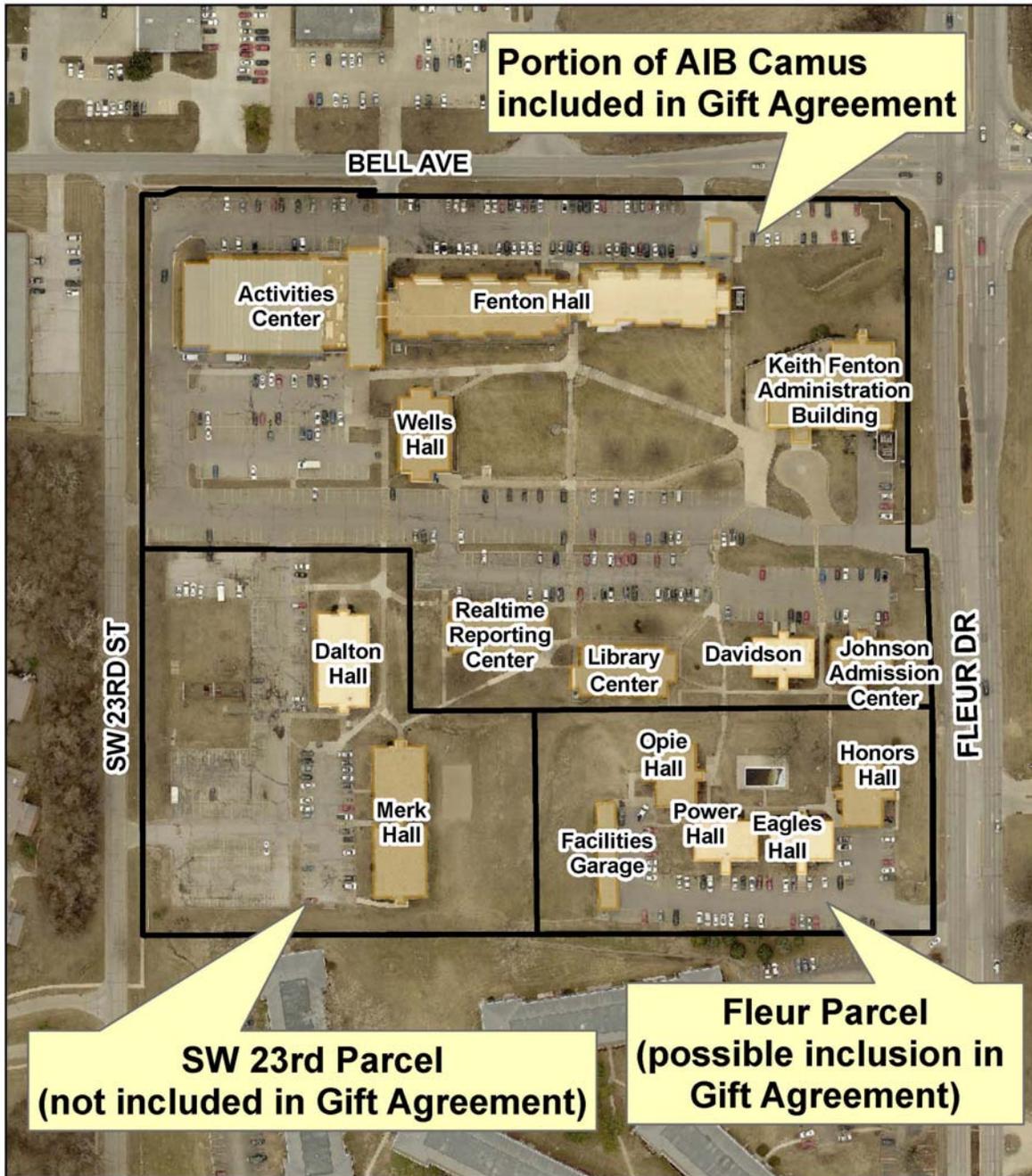
### **Programs Anticipated for Delivery at AIB Campus in Fall 2016**

For Fall 2016, the University of Iowa is developing undergraduate major offerings to be delivered at this site, as well as through on-line courses. These programs have been reviewed by the Board Office and submitted to the Iowa Coordinating Council on Post High School Education

To the degree the University of Northern Iowa and Iowa State University wish to utilize this space for their academic programs in Fall 2016, it is encouraged and welcomed.

Another opportunity is being considered for Fall 2016 by the University of Iowa health sciences deans to use this space for interdisciplinary living – learning opportunities for students undergoing training in Des Moines within the Carver College of Medicine, College of Dentistry, College of Nursing, College of Pharmacy and College of Public Health.

The Board Office has issued an RFP on Higher Education Needs Assessment for the Des Moines Metro. The findings of the report will be reviewed and evaluated by a Study Team (Provost Barry Butler, Provost Jonathan Wickert, Provost Jim Wohlpart, Executive Director Bob Donley, and Chief Academic Officer Diana Gonzalez) and used to coordinate and provide information to help ensure that the expansion is effective, efficient and responds to the educational needs of the region and the Regent universities. The recommendations will then be presented to the Education and Student Affairs Committee, with the Board making the final decision.



 <p><b>THE UNIVERSITY OF IOWA</b></p> <p>Thursday, September 17, 2015 Document Name: 20150916_BCR_AIB</p>	 <p>1" = 150'</p>	<p><b>Location Map:</b></p> <p><b>AIB Parcel, Des Moines</b></p>
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