

Economic Development Committee Memorandum
Board of Regents, State of Iowa

Subject: University of Iowa Proposal for Economic Development Projects

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Date Submitted: December 13, 2004

Recommended Actions:

1. Receive and discuss the University of Iowa's revised plans to implement economic development projects with monies provided by the Grow Iowa Values Fund.
2. Endorse the principles of the university's revised plans subject to consideration and approval by the Board of Regents at later stages as required by Iowa code.

Executive Summary:

The University of Iowa has presented a plan to implement economic development projects initiated under the auspices of the Grow Iowa Values Fund.

Background:

Background information received from the University of Iowa on December 10, 2004 is copied below.

**INFORMATION RECEIVED FROM THE UNIVERSITY OF IOWA
DECEMBER 10, 2004**

Background:

Earlier in the year SUI, like the other Regent universities, expected to receive as much as \$10 million from the Grow Iowa Values Fund (GIVF) for projects to advance Iowa's economy. Following an Iowa Supreme Court ruling invalidating the legislation underlying the GIVF, elected officials worked out a fiscal compromise to allow forward motion on many of the projects already approved for GIVF funding. As a consequence of this compromise SUI now expects to receive \$4 million to implement as well as it can the projects earlier funded at a higher level. These two projects are:

- Upgrade the laboratories of the Center for Biocatalysis to provide for cGMP production of biological materials (original, GIVF budget: \$3 million)
- Create incubator laboratory space for lease to new biotech companies. (original, GIVF budget for this "BioTIC" project: \$7 million).

SUI's present plan is to reduce to \$2.9 million the original \$3 million allocation for the cGMP project and to expend \$1.1 million on behalf of the BioTIC project.

Transactional
Outcomes required
to Implement this
Plan:

- A. Purchase on behalf of cGMP project production assets of the small company Apovia for \$200,000.
- B. With Board approval, take assignment of Apovia's lease for the facility housing the purchased equipment.
- C. With board approval, negotiate a three-year option to purchase the building containing the newly leased "Apovia" space. Apovia now occupies approximately 7000 sq. ft in a 14,000 sq. ft building. The remaining 7000 sq. ft is unfinished shell space. SUI does not propose to exercise any obtained option to purchase the entire building until such time as it identifies a use for the shell space and a revenue stream to accommodate the costs of preparing and maintaining the additional space.
- D. Negotiate a one-year option to purchase a privately owned, 10,000 sq. ft building containing fully-equipped laboratories and associated office space for \$1.1 million on behalf of SUI's BioTIC project. The purchase would be made using the special State allocation for economic development projects. This property is located adjacent to the Apovia space.
- E. Defray any incremental costs to reconfigure the purchased facility for use by BioTIC internally using unappropriated monies, such as UI Research Foundation patent licensing revenues available to the Office of the Vice President for Research.

Explanation:

The small company, Apovia, currently has offered approximately \$1 million worth of biological production equipment for sale at a negotiated price of \$200,000. The opportunity to make this transaction will allow the cGMP project budget savings of approximately \$800,000 that when reallocated for purchase of additional equipment will enable SUI to expand its production capacity beyond the scope initially envisioned. In addition—and importantly—the fact that much of the Apovia equipment already is validated for clinical production will allow SUI to move into regulated production approximately one year earlier than previously expected. Lease costs for the facility housing the newly purchased equipment have been budgeted for four years from the one-time award of \$2.9 million. Lease of the approximately 7000 sq. ft. housing the purchased equipment will provide additional flexibility to the cGMP project as time goes on.

The absence of laboratory space that can be leased to start-up biotech companies has proven to be an impediment to SUI's ability to work with new companies. The original BioTIC project was designed to meet this strategic shortfall. The 10,000 sq. ft. facility SUI wishes to transform into a smaller version of the originally envisioned project presently is under lease to SUI but is assigned for academic uses. Because the building is now available for purchase at a favorable price, SUI

proposes to take the steps necessary to buy it in timely fashion using the one-time award from the State. SUI believes it may be able to obtain a one-year option to purchase the entire building for \$1.1 million. By reducing the cGMP budget by \$0.1 million and applying this sum to the purchase of the BioTIC facility, SUI can come very close to setting in motions both projects within the \$4 million budget to be provided by the State. Any incremental funds required to reconfigure the purchased facility for use by BioTIC will be provided by SUI from unappropriated sources. Purchase of this facility for \$1.1 million represents a significant real estate bargain and currently is the best available means for providing in a cost-effective way laboratory space to fledgling firms. By taking advantage of this opportunity, SUI will obtain one half the incubator space originally projected for approximately one-seventh the cost.

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