

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Resolution for the Abandonment of Knapp Residence Hall (ISU)  
**Date:** April 12, 2004

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**Recommended Action:**

Recommend that the Board adopt A Resolution (see G.D. 3) directing the abandonment of Knapp Dormitory at Iowa State University of Science and Technology.

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**Executive Summary:**

Bond resolutions for Iowa State University's Residence System require specific approval of the Board of Regents prior to the abandonment of any units in the system.

The update of the University's Residence System Master Plan included as part of the March 2004 Governance Report on University Residence Systems noted that Knapp Hall (Dormitory) was scheduled for demolition during the summer of 2005.

The facility was taken off-line during the winter of 2004 but will be used to house participants in a July 2004 conference.

The Board will find and determine, under the proposed resolution that the age and physical condition of the Dormitory is such that its economical operation as a component of the Residence System is not possible and that the expenditure of substantial capital funds for rehabilitation is precluded by the obsolescence of the facility.

The resolution also includes a determination that the net rents, profits and income of the Residence System, after the abandonment of the facility, are sufficient to meet the specific financial requirements of the bond covenants.

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**Background:**

Knapp Hall

Knapp Hall is part of the 256,749 gross square foot Knapp/Storms Complex, which was constructed beginning in 1965. (A map showing the location is included as Attachment A to this memorandum.)

The dormitory, which is part of the Towers Neighborhood, closed at the end of the fall 2003 semester due to a lack of demand. However, the facility will be used to house participants in a July 2004 conference.

The closing of the facility, which suffers from significant deferred maintenance, was included in the Residence System Master Plan presented to the Board in July 1998, the Master Plan Progress Report presented in July 2000, and the update to the Plan included as part of the Governance Report on University Residence Systems presented to the Board at its March 2004 meeting.

The University plans to demolish Knapp Hall in the summer of 2005.

Storms Hall

The University also plans to demolish Storms Hall, located adjacent to Knapp Hall, during the summer of 2005. In April 2003, the Board authorized demolition of Storms Hall, which was closed at the end of the spring 2003 semester.

Capital Project

In June 2003, the Board granted the University permission to proceed with project planning for the demolition of the Storms and Knapp Halls. The cost for the demolition of the two facilities was estimated at \$3 million to \$3.5 million.

When the request to proceed with the demolition was presented, the University noted that because of the location of the buildings and their proximity to other occupied residence halls, all demolition options for the two buildings and phasing scenarios would be fully evaluated before proceeding with the demolition.

The demolitions would be funded by Residence System funds.

2004-2005  
Room Rates

The proposed Residence System 2004-2005 room rates presented to the Board in March 2004 and this month (see G.D. 4) do not include room rates for Storms or Knapp Halls for the 2004-2005 academic year.

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**Analysis:**

**Project Description and Budget**      The University envisions bringing forward to the Board for its May 2004 meeting, a request for approval of the project description and budget for demolition of Storms and Knapp Halls.

**Project Timeline**              Engineering work and asbestos abatement will need to occur during the 2004-2005 academic year so that the facilities could be demolished during the summer of 2005.

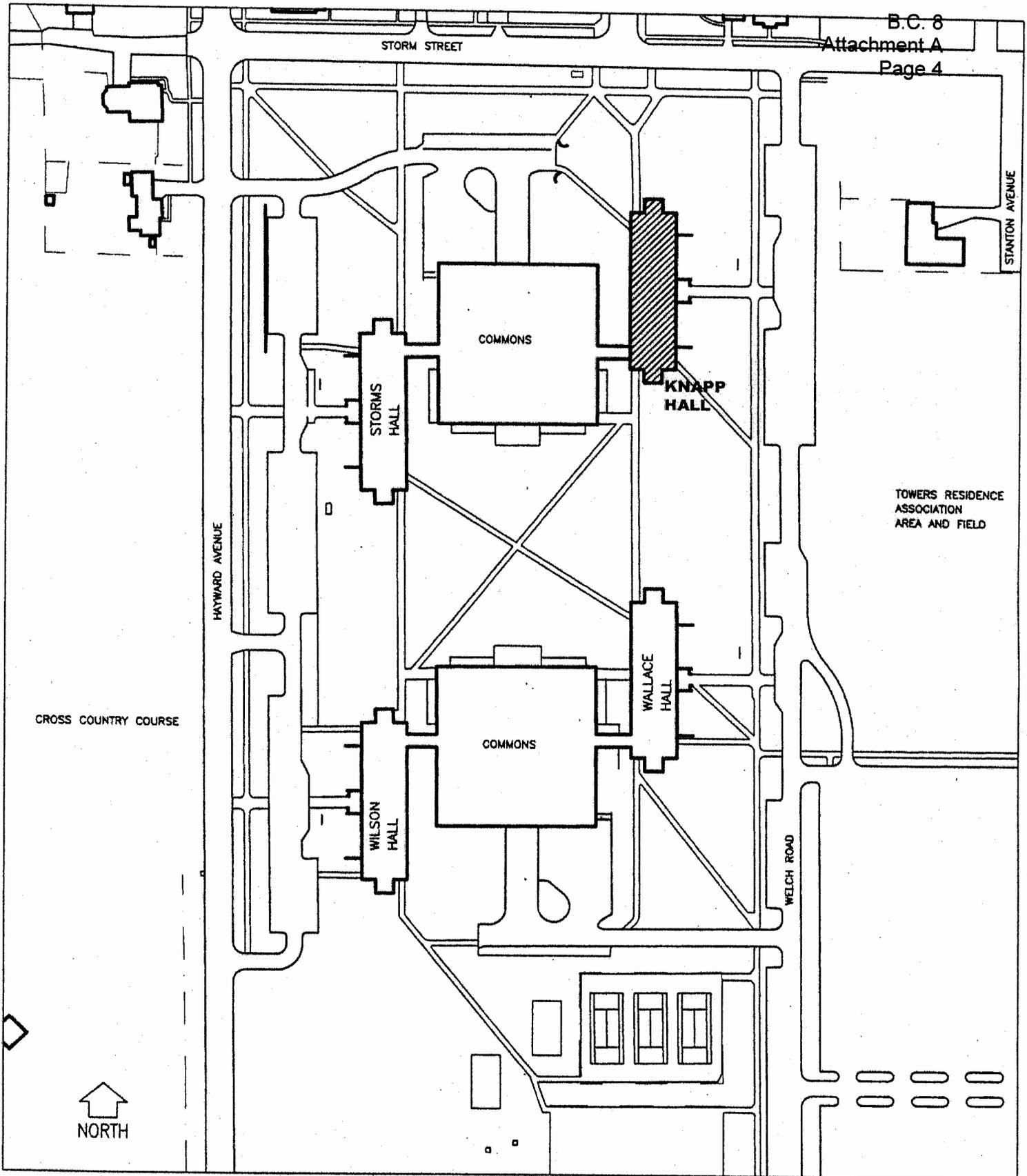
**Bond Covenants**              The bond covenants require a certification that the 135% coverage test (net revenues of the System must equal or exceed 135% of the annual principal and interest requirements on the outstanding bonds) will be met after the requested abandonment.

The FY 2005 preliminary Residence System budget presented to the Board in March incorporates the effect of the abandonment and provides the required coverage.

**Certification**                  Warren R. Madden, as Chief Financial Officer of the University, has determined that the net income of the Residence System, after taking into account the abandonment of the beds in Knapp Hall, with adjustments for increases in the rates and the additional facilities being incorporated into the System, will be equal to or greater than 1.35 times the maximum annual amount (as defined in the bond resolutions) to be due in any succeeding year for the payment of principal and interest on all Dormitory Revenue Bonds of the University which are outstanding.

The necessary certification is included as Attachment B to this memorandum.

Copies of the resolution directing the abandonment, which was prepared by the Ahlers law firm, are available from the Board Office.



TOWERS RESIDENCE ASSOCIATION AREA AND FIELD

STANTON AVENUE

STORM STREET

HAYWARD AVENUE

WELCH ROAD

CROSS COUNTRY COURSE

COMMONS

STORMS HALL

KNAPP HALL

WALLACE HALL

COMMONS

WILSON HALL



REVISIONS:	<b>KNAPP HALL (DORMITORY)</b>	APPROVED BY:
COMPLETED:		CHECKED BY:
ISSUED:	<small>H://LANDSCAPE/BOARD OF REGENTS/TOWERS.DWG</small>	DESIGNED BY:
DATE: March 31, 2004	<b>FACILITIES PLANNING AND MANAGEMENT</b>	SCALE: Not to scale
	<b>IOWA STATE UNIVERSITY</b>	REQUEST NO.
	<b>AMES, IOWA</b>	SHEET NO. A101

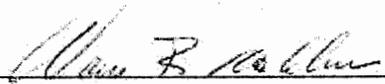
**CERTIFICATE OF FINANCIAL OFFICER**

***TO THE BOARD OF REGENTS, STATE OF IOWA:***

As the Financial Officer of the Iowa State University of Science and Technology, I have prepared the following certification of the net revenues of the Residence System (as defined in the resolution adopted by the Board of Regents, State of Iowa (the "Board") on May 1, 1998, to authorize the issuance of its \$15,750,000 Dormitory Revenue Bonds, Series I.S.U. 1998, and in subsequent resolutions authorizing the issuance of various series of outstanding dormitory revenue bonds ranking on a parity therewith.

In order to comply with the requirements and limitations provided in said resolution and in subsequent parity bond resolutions applicable to the abandonment of Facilities, I make this certification specifically with respect to the abandonment of Knapp Dormitory.

I further investigated, and it is my opinion, that the net rents, profits, and income of the Residence System available for payment into the "Dormitory Revenue Bond Sinking Fund" after giving effect to such abandonment as shown by the annual audit, for the fiscal year ending June 30, 2003 (with adjustments to reflect any increases in rates, fees, rentals or charges or additional facilities being incorporated into the System) will be equal to or greater than one and thirty-five one hundredths (1.35) times the maximum annual amount to become due in any succeeding fiscal year for the payment of principal of and interest on outstanding bonds.

  
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Warren R. Madden  
Vice President for Business and Finance

IOWA STATE UNIVERSITY  
 Department of Residence - Master Plan Proforma  
 Prelim Budget Fiscal 2005

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<b>Revenue</b>												
Room	19,194,987	23,859,146	27,787,744	28,374,881	27,541,388	30,638,116	31,865,293	32,630,436	33,934,752	35,834,208	36,651,120	38,111,960
Family Apartments	3,748,168	3,749,094	4,081,065	4,399,114	4,302,922	4,665,762	4,811,194	4,960,053	5,115,095	5,273,683	5,438,443	5,606,914
Dining	15,917,145	15,977,773	17,204,461	18,088,702	18,312,549	20,010,214	20,630,948	20,791,771	21,591,570	23,032,659	23,179,145	24,009,741
Interest	2,736,254	2,912,057	1,868,710	1,414,287	899,970	797,865	709,477	695,563	723,800	757,664	760,011	826,657
	41,596,554	46,498,071	50,941,980	52,276,984	51,056,829	56,111,957	58,016,912	59,077,824	61,365,217	64,898,215	66,028,719	68,555,273
<b>Expenses</b>												
Room	15,504,289	17,937,074	18,758,128	18,333,963	18,604,052	20,679,400	21,703,757	22,620,849	22,478,242	23,410,885	24,215,201	25,183,283
Family Apartments	2,265,916	2,587,621	2,692,044	2,489,221	2,532,211	2,761,351	2,867,481	2,977,547	3,092,093	3,210,883	3,334,460	3,462,616
Dining	12,027,348	12,684,746	13,476,289	14,923,691	15,995,382	17,505,304	18,210,649	18,582,854	19,178,702	20,236,370	20,651,520	21,435,897
	29,797,553	33,209,441	34,926,462	35,746,875	37,131,646	40,946,055	42,781,887	44,181,250	44,749,037	46,858,139	48,201,182	50,081,796
Operating Income - Room	3,690,698	5,922,072	9,029,616	10,040,918	8,937,335	9,958,716	10,161,536	10,009,587	11,456,510	12,423,323	12,435,919	12,928,677
Operating Income - Apartments	1,482,252	1,161,474	1,389,021	1,909,893	1,770,711	1,904,411	1,943,713	1,982,507	2,023,001	2,062,800	2,103,983	2,144,298
Operating Income - Food	3,889,797	3,293,028	3,728,172	3,165,011	2,317,167	2,504,910	2,420,299	2,208,917	2,412,868	2,796,289	2,527,625	2,573,844
Operating Income - Interest	2,736,254	2,912,057	1,868,710	1,414,287	899,970	797,865	709,477	695,563	723,800	757,664	760,011	826,657
Net Operating Income	11,799,001	13,288,630	16,015,519	16,530,109	13,925,183	15,165,902	15,235,025	14,896,574	16,616,180	18,040,076	17,827,537	18,473,477
Debt Service	5,043,100	6,449,789	7,748,124	8,688,892	9,649,040	10,067,310	10,060,770	10,064,137	10,069,305	10,078,113	10,082,593	10,096,006
Annual Capital Improvements	5,041,437	3,707,564	2,811,788	1,803,269	9,254,606	10,212,960	4,199,163	1,461,315	3,045,917	5,162,053	1,477,588	1,556,691
Sinking and Improvement Transfer	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Scholarships	363,022	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000
University Overhead	720,375	720,375	749,478	749,478	927,157	1,262,413	1,568,914	1,861,004	2,264,114	2,398,691	2,435,702	2,526,946
Subtotal	11,667,934	11,737,728	12,169,390	12,101,639	20,690,804	22,402,683	16,688,846	14,246,457	16,239,336	18,498,857	14,855,882	15,039,643
Change in Surplus Balance	131,068	1,550,902	3,846,129	4,428,470	(6,765,621)	(7,236,781)	(1,453,821)	650,117	376,844	(458,781)	2,971,655	3,433,833
Cumulative Dept Surplus	9,031,191	10,467,899	14,267,467	18,345,779	11,484,933	5,448,152	4,194,331	5,044,448	5,621,292	5,362,511	8,334,165	11,767,999
% of Total Expenditures	30.3%	31.5%	40.9%	51.3%	30.9%	13.3%	9.8%	11.4%	12.6%	11.4%	17.3%	23.5%
Coverage Ratio--Annual	2.34	2.06	2.07	1.90	1.44	1.51	1.51	1.48	1.65	1.79	1.77	1.83