

MEMORANDUM

To Banking Committee

From: Board Office

Subject: Approval of Master Lease Financing for the Purchase of Property Located at 2421 James Street, Coralville, Iowa (SUI)

Date: March 3, 2003

Recommended Action:

Recommend that the Board authorize the University of Iowa to utilize master lease financing in the amount of \$700,000 for the purchase of property located at 2421 James Street, Coralville, Iowa. (See SUI-1.)

Executive Summary:

The University of Iowa requests approval to utilize \$700,000 in master lease financing to purchase property located at 2421 James Street, Coralville, Iowa.

The property consists of a total of 15,000 square feet of commercial condominium space located west of the University's far west campus and south of Highway 6. (See Attachment A for map.)

The University wishes to purchase the property to house a model of the Priest Rapids Dam, Grant County, Washington, for a research project of the IIHR – Hydrosience and Engineering.

The research project is funded by grant funds from Public Utility District No. 2, Grant County, Washington.

The University proposes to finance the project over a five-year period, with the final interest rate set per the master lease agreement at the time the borrowing commitment is executed.

- The estimated interest rate is approximately 3.6 percent, which would result in semi-annual payments of \$77,400.
- Funding for the semi-annual payments would come from the Institute's grant funds from the Utility District.

The University's proposal has been reviewed by the Ahlers law firm which has confirmed that the research project meets the qualifications for use of tax-exempt financing under the Board's master lease program.

Board approval of the property purchase is requested in SUI-1, subject to Banking Committee approval of master lease financing for the purchase.

Background:

Master Lease Agreement

In November 2001, the Board approved entering into a new master lease agreement (Agreement) with Wells Fargo Brokerage Services, LLC (Wells Fargo) to provide short-term financing (3 to 10 years) for real and personal property. The agreement will be effective until January 1, 2004, with an option of an additional three-year period based on the mutual consent of both parties.

Property up to an outstanding principal amount of \$20 million can be financed under the Agreement; to date, only \$1 million of the \$20 million has been borrowed.

The Board must approve each financing utilizing the Agreement and Wells Fargo must agree to lease the property.

If the Board approves the use of master lease financing for the property purchase, notification to the Legislative Fiscal Bureau will be made. The information provided to the Fiscal Bureau is provided to the Legislative Fiscal Committee at its next scheduled meeting.

Analysis:

Since 1980, the University's IIHR – Hydrosience and Engineering has conducted research for Public Utility District No. 2, Grant County, Washington; the research is funded by grant funds from the Utility District.

The purpose of the research is to study how Pacific Northwest salmon can co-exist with hydroelectric dams on the Columbia River.

The University recently received a three-year, \$6.9 million contract extension from the Utility District to continue its research.

The Institute's research efforts for the Utility District will be expanded to include the Priest Rapids Dam which is located on the Columbia River.

The study would be conducted utilizing a 12,600 square foot model of the Dam; this would require approximately 15,000 square feet of space to house the model and related test equipment.

The University reports that it has no space available of sufficient size to house the model.