

**Contact: Joan Racki**

**UNIVERSITY OF IOWA REAL ESTATE MATTER – OLD CAPITOL MALL**

**Action Requested:** Consider recommending to the Board that it authorize the University of Iowa to proceed with a lease with the University of Iowa Facilities Corporation for property (approximately 101,185 gross square feet of space in the Old Capitol Mall in Iowa City) to be acquired by the University of Iowa Facilities Corporation.

**Executive Summary:** At its June 2005 meeting, the Board authorized the University of Iowa to proceed with a lease with the University of Facilities Corporation (Facilities Corporation) for 68,000 gross square feet of property in the Old Capitol Mall (Mall). The purchase agreement, which was finalized in August 2005, included an option for the Facilities Corporation to purchase the remaining vacant space on the second floor at \$85 per square foot and the basement space at \$80 per square foot; the option to purchase at these prices is available until March 1, 2006.

The Property and Facilities Committee is asked to consider recommending to the Board that it authorize the University of Iowa to proceed with a lease with the Facilities Corporation for approximately 78,425 gross square feet on the second floor and 22,760 gross square feet, including a loading dock, in the basement of the Mall. Subject to Board approval for the University to enter into the lease, the Facilities Corporation intends to exercise its option to purchase the property.

The University's proposed use of the Mall space to be leased includes the relocation of:

- Department of Public Safety and Facilities Management Key Shop to basement locations from their current facilities located on the site for the Recreation Building project. (See Agenda Item 2e – SUI Campus Recreation Center/Relocation Master Plan.)
- Information Technology Services to the second floor from its current, third floor location in the University Services Building and its space in the Lindquist Center; this relocation would enable some Facilities Management functions that currently occupy the Recreation Building site to relocate to the third floor of the University Services Building and would provide for the consolidation in the Lindquist Center of the College of Education program in Science Education and its other funded research functions.
- State Health Registry (Iowa Cancer Registry) from the U.S. Bank Building, completing the vacation of this leased space, and the Clinical Trials Statistics and Data Management Center of the College of Public Health from Westlawn Building where it has outgrown its space; the space in Westlawn would be used for other functions of the College of Public Health, including graduate student offices.

The Mall would also house the Iowa Centers for Enterprise: Business and Commercialization Services. This entity will integrate and locate in one area the several activities that comprise the University's economic development and technology transfer program. Among the entities to be relocated to the Mall are: University of Iowa Research Foundation, Office of Corporate Relations and selected elements of the John Pappajohn Entrepreneurial Center and Technology Innovation Center. The co-location will better serve the clients and will enable the programs to work in more synergistic and complementary ways.

The second floor would also include an area for core shared services including large conference room space, and restrooms; approximately 6,480 gross square feet of space have not yet been assigned to specific users.

The purchase price of the vacant portion of the second floor and the basement and the associated land under the condominium arrangement is \$8,486,925. Two independent appraisals valued the property at \$8,655,155 and \$8,800,000.

The fit-out cost component, which is in addition to the purchase price, is estimated at approximately \$9.5 million. The cost may be less as the owner has agreed to conduct a competitive bid process for major elements of the fit-out of the second floor and basement.

The total purchase price, which would be a turnkey arrangement whereby the owner provides the fit-out to accommodate the requirements of the occupants, would be financed by the Facilities Corporation through the issuance of revenue bonds, tentatively scheduled to be sold in August 2006. The University's lease with the Facilities Corporation would be in an amount equal to the debt service payments of the Corporation. At the conclusion of the financing period and twenty-year lease term, the property would be transferred from the Facilities Corporation to the University, subject to approval of the Board of Regents. The annual lease payments are estimated at approximately \$1.9 million. Annual operation and maintenance costs for the space are estimated at approximately \$760,000.

Each of the parties occupying the leased space would assume its proportional share of the lease and operation and maintenance costs on the basis of the space assigned. Sources for these costs could include the redirection of lease payments now made for US Bank space in downtown Iowa City which will be vacated, revenue linked to the College of Public Health sponsored research projects, earnings from Centers for Iowa Enterprise: Business and Commercialization Services projects, and other University earnings linked to the functions assigned to the space.

**Additional Information:** The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University. The Facilities Corporation, through the issuance of revenue bonds authorized by the Regents, made possible the construction of the Eckstein Medical Research Building, the Medical Education and Biomedical Research Facility, the Pomerantz Center, the Carver Biomedical Research Building, and the purchase, fit-out and equipping of approximately 68,000 gross square feet of condominium space located on two levels of the Old Capitol Mall.