CYTOWN AGREEMENTS

Action Requested: Iowa State University requests Board approval of the following items:

1. Authorize the University to enter into a 30-year lease agreement with McFarland Clinic, P.C. (McFarland) for approximately 30,000 square feet of real property located within the CYTown Development Area for an initial base rent of $50,000 per year and subject to such other terms and conditions as contained within the Proposed CYTown Ground Lease Term Sheet, included as Attachment A.

2. Authorize the University to enter into a Memorandum of Understanding with the City of Ames establishing a Payment in Lieu of Taxes (PILOT) arrangement upon such terms and conditions as more fully described in the PILOT MOU, included as Attachment B.

3. Authorize the University to enter into with the City of Ames one electrical easement, one water and sewer easement, and an amendment to an existing electrical easement necessary to provide utility services to the CYTown Development Area. A map depicting the new utility easements is included as Attachment C.

4. Delegate to the Executive Director, in consultation with the President of the Board of Regents, the authority to execute future utility easements within and necessary for the development of the CYTown Development Area. All easements executed pursuant to this delegation shall be reported to the Property and Facilities Committee at the next regularly scheduled Committee meeting.

Executive Summary: Iowa State University (University) desires to develop approximately 40 acres of University-owned real property located between Jack Trice Stadium and the Iowa State Center into a multi-use district (CYTown Development Area or CYTown). The development of this parcel of property will sustain and enhance the impact of the Iowa State Center for both the University and the City of Ames community.

During the June 2, 2022, meeting of the Iowa Board of Regents, the Board authorized the University to proceed with planning for parking and infrastructure improvements within the CYTown Development Area. Additional approvals for the schematic design and project description and budgets were received during the November 2023 meeting. Board approval of this infrastructure project was key to planning for the future development of the CYTown Development Area.

The University has since been actively engaged in planning for the CYTown Development Area. In October 2023, a Request for Information (RFI) was issued soliciting proposals from potential developers interested in entering a long-term lease for the development of a substantial portion of the CYTown Development Area. Omaha-based Goldenrod Companies was identified as the potential partner to lead the development. Due diligence and negotiations are ongoing to formalize the relationship.

During this time, the University also engaged in negotiations with McFarland Clinic, P.C. over potential lease terms wherein McFarland would serve as an anchor tenant within CYTown. These negotiations were successful, and Board approval to proceed with finalizing and executing a lease agreement is requested.
Throughout this process, the University communicated with the City of Ames regarding its vision for the CYTown Development Area. The partnership with the City of Ames is vital to the successful development of CYTown. Building upon a long history of cooperation and collaboration, the University and the City negotiated various easements and agreements that will further solidify this partnership and clarify the roles and responsibilities of each entity. These agreements are presented for Board information or approval.

1. McFarland Lease

The University requests Board approval to enter into a ground lease with McFarland Clinic, P.C. to lease approximately 30,000 square feet of land, located along Jack Trice Way on the south end of the CYTown Development Area, for McFarland Clinic to construct a medical facility. The proposed lease premises are identified in the following map.
McFarland will construct a 70,000 to 80,000 square foot, multi-level medical facility, which would offer primary and specialty care, as well as urgent care. The central location within the community provides advantages for ISU students, faculty, staff and the public. It would be easily accessible for patients both inside and outside Ames.

Primarily, the clinic would provide ISU’s student-athletes convenient access to orthopedic services and imaging equipment, as well as complement the ISU Thielen Student Health Center, located on the west side of ISU’s Central Campus, by providing after-hours and weekend services.

**Term:** 30 years. McFarland Clinic would have the option to extend the ground lease term up to four consecutive times at five years per extension, potentially extending the ground lease another 20 years.

**Financial Terms:** $50,000 rent per year would be paid by McFarland Clinic to ISU. Rent would increase $5,000 per year until the end of the 30-year term.

A $3 million security deposit would be paid by McFarland Clinic to ISU prior to McFarland Clinic’s start of construction of the new medical facility.

McFarland Clinic would be responsible for the construction costs, utility charges and Common Area Maintenance (CAM) fees. Upon completion of construction, ownership of the facility will transfer to the University and be leased back to McFarland.

2. **City of Ames PILOT MOU**

Board Policy Manual section 2.3.2.G provides that all agreements between a university and a political subdivision that result in a payment in lieu of taxes (PILOT) shall be approved by the Board of Regents. Pursuant to law, property owned by the Board of Regents on behalf of the Regent universities is exempt from property taxes. The University anticipates that all real property and facilities constructed within the CYTown Development Area will continue to be owned by the University and remain tax exempt.

Notwithstanding the tax-exempt status of state-owned property, the University and the City of Ames agree that entering into a memorandum of understanding that establishes a PILOT and reinvests this payment into improvements to the Iowa State Center and CYTown is to the mutual benefit of both entities. The PILOT includes the following provisions:

- The University will charge tenants in the CYTown Development Area an amount in lieu of property tax which is generally equivalent to the amount tenants would pay for similar commercial developments built on privately owned property.
- The amount collected by the University will be reinvested into the CYTown development and will be used to pay for the infrastructure necessary to support the development.
- A portion of the PILOT collected from CYTown tenants related to the assessed value of buildings within the CYTown development area will be dedicated to the construction, rehabilitation, and maintenance of existing and new facilities in support of the performing arts.
- The PILOT portion dedicated to the performing arts will be generally equivalent to what the City would collect in property tax from similar commercial buildings built on privately owned property.
After 20 years, a percentage of this portion of the PILOT will be remitted to the City for its general use.

The City of Ames approved entering into the PILOT during its meeting of May 14, 2024. Board of Regents approval is now requested.

3. City of Ames Easements

An electrical utility easement, a water and sewer utility easement, and an amendment to an existing electrical utility easement are needed with the City of Ames to permit the City of Ames to operate and maintain electrical, water and sewer infrastructure built underground at the CYTown Development Area over the last two years. The City of Ames’s use of the infrastructure to provide electrical, water and sewer services to buildings and improvements in the CYTown Development Area is the consideration for granting the easements.

The University anticipates that additional easements will need to be granted to the City of Ames for utility infrastructure as development of CYTown progresses. To facilitate timely access to the CYTown Development Area for the City of Ames, the University requests that the Board delegate authority over approval of future utility easements within the CYTown Development Area to the Executive Director in consultation with the Board President. All easements entered into pursuant to this delegation of authority will be reported to the Property and Facilities Committee.

In conjunction with the current and any future easement agreements, the University will enter into a memorandum of understanding with the City of Ames establishing the parties’ respective responsibilities regarding construction and maintenance of utilities, traffic, and related infrastructure services within and immediately adjacent to the CYTown Development Area. This MOU is presented for informational purposes and included as Attachment D.