

Contact: Joan Racki

UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS, SERIES 2006

Action Requested: Consider adopting A Resolution authorizing and approving the execution and delivery of the lease, the indenture, the bond purchase agreement, the tax exemption certificate and the continuing disclosure certificate, and authorizing and providing for the issuance of University of Iowa Facilities Corporation (Old Capitol Town Center) \$23,800,000 Revenue Bonds, Series 2006.

(ROLL CALL VOTE)

Executive Summary: The Board is asked to consider adoption of a resolution authorizing and approving various lease documents, the indenture, a bond purchase agreement and certificates related to the sale of University of Iowa Facilities Corporation Revenue Bonds for the purchase, renovation and equipping of approximately 101,185 gross square feet of condominium space in the Old Capitol Town Center in Iowa City, Iowa. At its June 2006 meeting, the Board adopted a resolution authorizing the Executive Director to take all action needed to effect the issuance of the bonds.

The amount being financed by the Facilities Corporation includes the purchase price of the property and fit-out costs totaling \$18,900,000, the sum of \$2,800,000 for furnishings and equipment, the needed reserve fund, and issuance costs. The total amount of the bond issue is \$23,800,000.

The last maturity of the bonds to be issued would be 2031. Annual debt service for the bonds is estimated at approximately \$1.65 million. The debt service payments would be paid from lease rentals, which will be paid by the University to the Facilities Corporation under the terms of the lease. Annual operation and maintenance costs for the space are estimated at approximately \$860,000.

Facilities Corporation: 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.

Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board of Regents must, therefore, approve the sale and terms of the bonds. The bonds would be single tax-exempt (exempt from federal, but not state taxes).

Additional Information: The condominium space to be purchased by the Facilities Corporation and leased to the University of Iowa includes 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 Town Center.

The University of Iowa's proposed use of the space includes:

- Department of Public Safety and Facilities Management Key Shop;
- Information Technology Services;
- State Health Registry (Iowa Cancer Registry);
- Clinical Trials Statistics and Data Management Center of College of Public Health;
- Iowa Centers for Enterprise: Business and Commercialization Services, which includes several activities (University of Iowa Research Foundation, Office of Corporate Relations and selected elements of the John Pappajohn Entrepreneurial Center and Technology Innovation Center) that comprise the University's economic development and technology transfer program; and
- Core shared services including large conference room space, and restrooms.

The lease obligation between the Board (on behalf of the University), as lessee, and the Facilities Corporation, as lessor, will be an absolute and unconditional obligation of the University of Iowa. Lease payments are to be sufficient to pay the interest and principal on the bonds; supplemental rents are equal to administrative and trustee expenses. At the conclusion of the financing period and twenty-five year lease term, the property would be transferred from the Facilities Corporation to the University, subject to approval of the Board of Regents.

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.

The issuance size of \$23,800,000 would include:

- Project costs (estimated at \$21,700,000);
- Debt service reserve (estimated at \$1,657,900);
- Issuance costs (estimated at \$85,100); and
- Bond discount (estimated at \$357,000).

The receipt and opening of bids is scheduled for 10:00 a.m. on Tuesday, August 8, 2006. The Executive Committee of the Board of Directors of the Facilities Corporation is expected to approve the sale and terms of the bonds based on the best bid at a meeting scheduled for that date.

The Board of Regents, at its regularly scheduled meeting, will be asked to approve the previously referenced resolution, which was prepared by Ahlers & Cooney, P.C. and reviewed by Springsted, Inc.; the resolution is available from the Board Office.