

Contact: Joan Racki

IOWA STATE UNIVERSITY – PROPOSED NEW BASKETBALL PRACTICE FACILITY

Action Requested: Consider approving the University's request to proceed with developing agreements for a proposed new basketball practice facility, and delegate authority to the Executive Director to sign such agreements, subject to the following:

1. University's written commitment to purchase the facility at a cost not to exceed \$6.9 million, which shall be completed prior to the beginning of construction, and all other legal documents related to the project, shall be reviewed and approved by the Board Office and Attorney General's Office;
2. The University will ensure that the facility to be constructed meets its performance specifications and state building codes in addition to City of Ames codes, and that the price to be paid for the facility is fair and reasonable, as verified by an independent entity, in lieu of required appraisals;
3. Receipt from the City of Ames of all necessary approvals; and
4. Receipt of a report from Convention, Sports and Leisure International (CSL) verifying the reasonableness of the financial planning assumptions to ensure there are adequate funds to pay any debt service and operating costs.

Executive Summary: Iowa State University's strategic plan includes providing quality cultural and athletic events that engage the interest and support of a variety of constituencies. Athletic programs are often the first University experience for many people; they help in the recruitment of students and faculty/staff and provide broad public support for the University. As the athletic programs have grown, it has become more difficult to schedule the current multipurpose facilities to meet user needs.

The success of the University's basketball programs is an important component of the University's efforts to attract top quality cultural, educational, and athletic programs/events. The programs support not only themselves, but other sports. To continue to support student athletes in all programs, basketball needs to continue to be successful as the programs support not only themselves, but other sports.

At the June 2006 Board meeting, the University presented a proposed Athletic Facilities Master Plan ("Master Plan") which encompassed a multi-year, multi-facility vision for updating and expanding University athletic facilities. This Plan envisioned a new basketball/volleyball practice facility and athletic office complex connected to Hilton Coliseum.

Since the original presentation of the Master Plan to the Board in June 2006 and various approvals regarding Jack Trice Stadium, further facility planning and fundraising efforts have resulted in significant changes to the proposed Master Plan. The need for basketball practice space has been a priority throughout the process.

In February 2007, the Board received an update of the Athletic Facilities Master Plan. At that time, the University indicated that the practice facility component of the Hilton Coliseum project will not be revenue generating and would therefore be financed with a combination of gifts and athletic revenues. The University further indicated that the Hilton Coliseum practice facility would only proceed when sufficient gifts had been secured.

The University reports that it has been offered a unique opportunity to accelerate the availability of basketball practice facilities.

A local Ames developer has offered to construct a new basketball practice facility on two acres of land on the southwest side of Ames (map in Attachment A). This site is approximately 2.8 miles from the Hixson-Lied Student Success Center, which houses the Athletic Center for Educational Services (among other functions), and approximately 3.8 miles from Hilton Coliseum, where the University's basketball games are played.

It is envisioned that the proposed practice facility would provide full-size practice courts for use by the men's and women's varsity basketball programs as well as offices for these athletic programs, including administrative support services. At the conclusion of construction, the land would be donated to the University and the University would purchase the basketball practice facility.

A combination of athletics gift revenues and short-term master lease financing through the Board's Master Lease Agreement would be needed to purchase the facility. The Department of Athletics intends to service the debt from available operating revenues and donor pledges. No additional general university support or increased student fees are contemplated as a revenue source to finance the basketball practice facility or any incremental operating and maintenance costs.

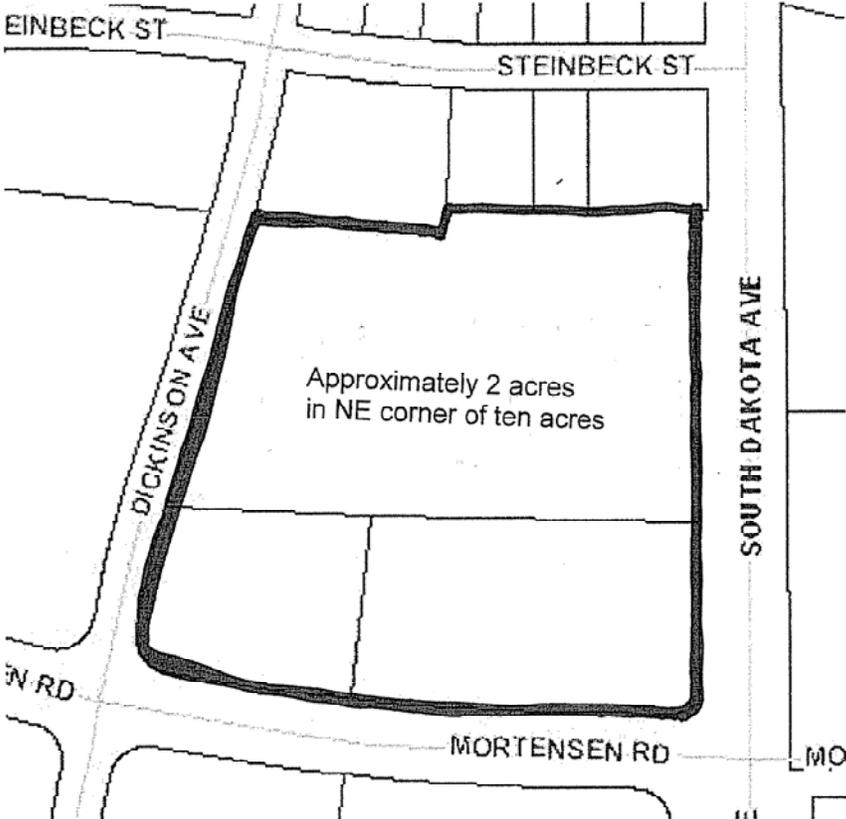
The University estimates the total cost of the project to be \$8.0 million to be paid from athletic revenues and private donations. This includes \$6.9 million for the purchase of the building and \$1.1 million for furnishings, IT service installation, independent evaluators, and a contingency for unforeseen events. The anticipated master lease financing for the project is \$6.6 million.

A pro forma budget for the Athletics Department is included in Attachment B. The pro forma assumes a 10-year term on the master lease financing at an annual interest rate of 6.0%. The University has requested the firm of Convention, Sports and Leisure International (CSL) to verify the reasonableness of the financial planning assumptions. The CSL report is expected to be completed by July 31, 2008.

Operating and maintenance expenses for the new facility will be paid from operating revenues of the Department of Athletics and are preliminarily estimated at \$125,000 for the portion of FY 2010 in which the facility is planned to be open. Expenses are estimated to be approximately \$157,500 for the initial year of full occupancy with projected increases of five percent annually.

There are a number of details and specific agreements to be worked out before this project can proceed. The Board Office is recommending that the Board consider approving the University's request, subject to the conditions as outlined on page 1 of this memorandum.

PROPOSED SITE MAP



IOWA STATE ATHLETICS
FINANCIAL SUMMARY

Pro Forma Results:	Budget FY09	Recast FY09	Forecast FY10	Forecast FY11	Forecast FY12	Forecast FY13	Forecast FY14	Forecast FY15	Forecast FY16	Forecast FY17	Forecast FY18
Operating Revenue	\$ 41,863,431	\$ 41,417,188	\$ 43,640,351	\$ 44,883,294	\$ 46,673,215	\$ 48,080,939	\$ 49,110,827	\$ 51,019,808	\$ 53,131,169	\$ 55,044,634	\$ 57,360,572
Operating Expense	(38,490,496)	(38,046,169)	(39,661,162)	(40,966,827)	(42,533,715)	(43,909,473)	(45,255,256)	(47,283,137)	(48,805,360)	(50,881,244)	(52,511,851)
Existing Debt Service	(2,588,935)	(2,587,019)	(2,579,942)	(2,319,341)	(2,487,557)	(2,492,399)	(2,083,874)	(1,959,441)	(1,955,805)	(1,959,002)	(1,954,305)
Capital Expenditures	(750,000)	(750,000)	(715,000)	(680,450)	(696,364)	(712,754)	(729,637)	(747,026)	(764,937)	(783,385)	(802,387)
Projected Margin - Current	34,000	34,000	684,247	916,676	955,580	966,313	1,042,060	1,030,204	1,605,068	1,421,002	2,092,030
Forecast Adjustments:											
Basketball Practice Facility:											
University Debt Service			(523,124)	(718,423)	(739,976)	(762,175)	(785,040)	(808,591)	(832,849)	(857,835)	(883,570)
Operating Costs			(125,000)	(157,500)	(165,375)	(173,644)	(182,326)	(191,442)	(201,014)	(211,065)	(221,618)
Adjusted Margin	\$ 34,000	\$ 34,000	\$ 36,123	\$ 40,753	\$ 50,229	\$ 30,494	\$ 74,694	\$ 30,170	\$ 571,204	\$ 352,103	\$ 986,842
Facility Fund Balance	(1)	\$ 2,893,983	\$ 1,516,203	\$ 1,727,151	\$ 1,976,151	\$ 1,446,151	\$ 1,391,151	\$ 1,486,151	\$ 1,581,151	\$ 1,676,151	\$ 1,723,651
Cyclone Club Balance	(2)	\$ 3,870,000	\$ 3,300,000	\$ 2,375,000	\$ 2,525,000	\$ 2,000,000	\$ 3,400,000	\$ 3,200,000	\$ 4,700,000	\$ 4,700,000	\$ 6,200,000

Basketball Practice Facility Assumptions:

Interest Rate on Bball Debt 6.0% 10 year term

Basketball Practice Facility - Estimates
Construction Cost \$ 6,900,000
Fixtures, Telecom, 3rd Party 1,100,000
\$ 8,000,000

- (1) The Facility Fund Balance could be available to fund this project if we elected to use those funds.
- (2) Unrestricted use - available for capital projects or to fund operating budget