

Contact: Joan Racki

RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS, SERIES 2005

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) \$13,530,000 Revenue Bonds, Series 2005.

(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 68,000 gross square feet of condominium space in the Old Capitol Town Center in Iowa City, Iowa. At its August 2005 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 is the total purchase price of the property including fit-out costs of \$11,250,000, the sum of \$1,000,000 for furnishings and equipment, the needed reserve fund, and issuance costs. The total amount of the bond issue is \$13,530,000.

Principal payments on the bonds would be made on June 1, 2006 – 2025. Annual debt service for the bonds is estimated to range from \$900,000 in FY 2006, to \$1,060,000 in FY 2007 – FY 2015, with the debt service projected at \$920,000 for the remaining maturities. (The debt service payments will not be level since the equipment and furnishings component of the bond sale will be financed over 10 years and the purchase and renovation will be financed over 20 years.) Bonds maturing on or after June 1, 2016 are callable commencing June 1, 2015 and any date thereafter at par. 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 \$374,000.

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 (interest exempt from federal but not state taxes).

Additional Information: The approximately 68,000 gross square feet of condominium space to be purchased by the Facilities Corporation and leased to the University of Iowa is located on two levels of the Old Capitol Mall, including the space vacated by Younkers department store in February 2005 plus additional space on the second floor of the Mall.

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

- Centralization of the University of Iowa Hospitals and Clinics and Carver College of Medicine Joint Office of Patient Financial Services;
- Relocation of the University's International Programs and English as a Second Language Programs; and
- Addition of one or more classrooms.

The Facilities Corporation purchase would be a turnkey agreement, incorporating the needed fit-out costs (partitioning, installation of electrical and telecommunications cabling, etc.) to make the space usable for the functions to be located within the space. The estimated cost of furniture and fixtures is \$1,800,000 of which \$1,000,000 would be financed as part of the proposed bond sale and the remainder would be paid by hospital funds.

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 lease term, the property may be transferred from the Facilities Corporation to the University, subject to the approval of the Board of Regents.

Each of the parties occupying the leased space will assume its proportional share of the lease and operational and maintenance costs on the basis of the space assigned.

The issuance size of \$13,530,000 would include:

- Project costs (estimated at \$12,250,000);
- Debt service reserve (estimated at \$1,060,200)
- Issuance costs (estimated at \$62,400); and
- Bond discount (estimated at \$157,400).

The receipt and opening of bids is scheduled for 10:00 a.m. on Thursday, September 15, 2005. 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.