INSTITUTIONAL AGREEMENTS, LEASES, AND EASEMENTS

**Action Requested:** Consider recommending to the Board approval of four leases and one agreement amendment for the benefit of Iowa State University, subject to approval of the final documents by the Board Office and Attorney General's Office.

**Executive Summary:** Iowa Code §262.11 requires that certain agreements, leases, and easements be approved by the Board of Regents by roll call vote. An indemnification clause is included in all leases and the agreement amendment for which approval is requested.

Iowa State University with the Board as Landlord for the following leases:

**Iowa Communications Network**

Iowa State University requests Board approval to enter into a lease with the Iowa Communications Network (ICN) to locate a fiber optic switch hut station on 1,824 square feet of property on the ISU Agricultural Engineering/Agronomy (AEA) Research Farm located at 1308 U Avenue in Boone, Iowa (see Attachment A for location).

This is a relocation of ICN’s fiber optic switch hut station along the Highway 30 corridor. The proposed hut location to the AEA Research Farm would provide improved and very high quality fiber optic service to current and future University needs. The AEA Research Farm has been at this location since 1964 and continues to expand. The 2009 construction of the ISU BioCentury Research Farm is one example of the expansion.

The term is 10 years. The parties may mutually agree in writing to extend the term for additional ten year periods. There is no cost to the University for the lease. ICN would pay the AEA Research Farm $2,000 annually to access the fiber optic switching hut station.

**ISU Research Park Corporation**

Iowa State University requests Board approval to enter into a lease with the ISU Research Park Corporation (Research Park) at 1102 Southern Hills Drive in Ames for a 31,280 square foot warehouse, formerly the University Surplus and Storage Facility, (see Attachment B for location) for product manufacturing by one the Research Park’s tenants, Merck and Company, Inc. (Merck).

This lease would help Merck expand its product manufacturing capabilities and address rapidly growing customer demand created by Merck’s acquisition, through a subsidiary – Intervet, Inc, - of Harrisvaccines. Leasing the entire warehouse to the Research Park would permit the Research Park to sublease the facility to Intervet creating improved coordination and a single point of contact. Over time, however, product manufacturing would be moved to other Merck facilities, and the warehouse would be used for new products and lower volume production. A key consideration for Merck is that this warehouse has been licensed by the United States Department of Agriculture (USDA).
The University’s long range goal is to build a relationship with Merck, encouraging future growth and expansion, ultimately leading to the construction of a new dedicated facility at the Research Park for product manufacturing and research and development.

An existing lease for the period January 1, 2015 to December 31, 2019, approved by the Board in March of 2015, with Harrisvaccines for approximately 50 percent of the warehouse space will be terminated with written mutual consent and upon signing this new lease to rent 100 percent of the warehouse to the Research Park.

The term of the lease is ten years. Upon mutual agreement, the lease may be renewed for an additional five-year term. The cost is $172,040 per year ($5.50 per square foot) effective January 1, 2017.

The University is currently evaluating the replacement of the warehouse.

Iowa State University with the Board as Tenant for the following leases:

Currently, a total of 1,462 beds are provided through leases with Jensen Properties and American Campus Communities that expire on July 31, 2017. Starting on August 1, 2017, new leases with both firms would start and be adjusted downward to provide only 1,127 beds to account for the additional 784 beds opening in January of 2017 in the new residence hall.

However, based on enrollment projections and historical data on housing return rates, demand for additional off-campus housing is still needed. Subsequently, the 1,127 beds in these new leases combined with the 784 new residence hall beds yield a total of 1,911 beds which exceeds the 1,462 beds currently leased by 449 beds.

The terms of these leases are five years with a 15-month opt-out clause for both the lessee and lessor, requiring written notice to the other party by May 31 of the year of termination. This would give the University an opportunity to terminate leases should demand decrease. With no opt-out exercised, these leases would all expire on July 31, 2022.

These rental rates would continue to follow the academic year student apartment rates for off-campus leased apartments and would be included in the Department of Residence’s rate schedules that are separately approved by the Board.

**Jensen Properties**

Iowa State University requests Board approval to enter into an off-campus housing lease with Jensen Properties for 516 beds at The Ridge at Fountainview L.C. located on Maricopa Drive and 312 beds at the Alexander L.C. located on Mayfield Drive and Walton Drive for a total of 828 beds on the west side of Ames.

The initial rate would be $4,621,830 per year ($385,152.50 per month) with a 2.25% increase annually until it reaches the rate of $5,052,059 per year in the fifth year.
American Campus Communities

Iowa State University requests Board approval to enter into an off-campus housing lease with American Campus Communities for 299 beds at 119 Stanton Avenue (Legacy Tower) south of the campus.

The initial rate would be $1,624,000 per year ($135,333.33 per month) with a 1.5% increase annually until it reaches the rate of $1,723,654 per year in the fifth year.

Iowa State University with the Board as a party to an agreement amendment:

Muscatine Island Research Farm Association

Iowa State University requests Board approval of the fourth amendment to the Memorandum of Understanding (MOU) between Iowa State University’s Agriculture and Home Economics Experiment Station (Experiment Station) and the Muscatine Island Research Farm Association (Association) of Fruitland, Iowa to add 20 acres of farmland.

The Association was established in 1935 as the Muscatine Island Research and Demonstration Farm on 63 acres of land leased from the Rock Island Railroad in an area of the Mississippi River Valley known as the "Muscatine Island." In 1983 when the railroad terminated the lease, the Association, made up of business people, farmers, and supporters, purchased 40 acres of the 63-acre tract. An additional 66 acres, located a quarter of a mile west were purchased by the Association in 2002 for a total of 106 acres.

An additional 20 acres were recently purchased by the Association to accommodate growth and buffer the Association’s operation from subdivision development in the area. Almost all of the crops on these 20 acres are grown under irrigation and in a soil type predominantly consisting of well-drained alluvial sand and organic matter. Additionally, research and extension activities would focus on commercial and home production of small fruit, melons, various vegetable crops, and ornamentals. Other projects have targeted organic/sustainable farming and agronomic crops of corn and soybeans.

Any costs of operating this land would be paid by the Association. Costs related to research and demonstration would be paid by the Experiment Station and revolving funds. All other provisions of the original MOU, dated January 4, 1984, and subsequent amendments remain unchanged and in full effect.