

Contact: Jean Friedrich

PROPOSED LEASE OF UNIVERSITY ATHLETIC CLUB PROPERTY

Action Requested: Consider authorizing, for the benefit of the University of Iowa, a lease with the University of Iowa Facilities Corporation for property located at 1360 Melrose Avenue in University Heights, Iowa, to be acquired by the University of Iowa Facilities Corporation.

(ROLL CALL VOTE)

Executive Summary: Iowa Code §262.11 requires that certain agreements, leases, and easements be approved by the Board of Regents by roll call vote. The lease has been reviewed by the Attorney General's Office and is recommended for approval. An indemnification clause is included in the lease, and the Tenant is to procure and maintain liability insurance to the extent of Iowa Code §669.

The Board is requested to authorize a lease for a 20 year period for the benefit of the University of Iowa with the University of Iowa Facilities Corporation for approximately 33,306 square feet of building space on a 5.28 acre site (currently known as the University Athletic Club) on Melrose Avenue in University Heights. The property includes a building with 17,053 square feet of main floor and 16,253 square feet of rear entrance "walk-out" space; it currently features dining and event facilities, a recreational swimming pool, three tennis courts, and a basketball court. The building was extensively remodeled in 2001 with construction of an addition at that time. A map showing the location of the property is included as Attachment A.

The University of Iowa Facilities Corporation contemplates purchasing the property for \$6,525,000 which includes \$5,775,000 for real property and \$750,000 for University Athletic Club assets. The Facilities Corporation would borrow the funds for the purchase and would then lease the property to the Board, with lease payments based on the annual loan costs. At the conclusion of the financing period and lease term, the property would be transferred from the Facilities Corporation to the University, for no additional consideration. Lease payments will be made from user groups such as the Iowa Memorial Union (IMU), academic units, and other auxiliaries. Some of the costs will be eligible for FEMA or insurance reimbursement. The University entered into a use agreement with the owner of the facilities after the summer flood to accommodate activities of the IMU and academic support functions. The monthly use agreement payments of \$50,000, which have been made since September 1, 2008, will be deducted from the purchase price to be paid by the University of Iowa Facilities Corporation.

The facility is well located, especially to the University's west campus academic, auxiliary services and University of Iowa Health Care activities. There is substantial parking. It is located immediately adjacent to Finkbine Golf Course and other University-owned property.

The June 2008 Iowa River flooding demonstrates both short and longer term needs for the property. The short term use of space would be for University events such as meetings, banquets, conferences and events which cannot be held at the recently re-opened IMU, as well as use of the UAC kitchen facilities for IMU catering. The long term use of space would include additional conference space for the University and space for special faculty and staff activities and events. Permanently relocating some IMU operations would allow reallocation of space on the first floor of the IMU to student services and would allow critical building systems to be relocated from the sub-basement in the IMU to higher locations.

Additional information is available from the Board Office.

