

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Institutional Agreements, Leases and Easements  
**Date:** February 12, 2001

**Recommended Action:**

Approve the leases and agreements for the benefit of the institutions as summarized below. **(ROLL CALL VOTE)**

**Executive Summary:**

The Iowa Code requires that agreements, leases and easements involving real property be approved by the Board of Regents by roll call vote. The leases and agreements presented this month have been reviewed by the Attorney General's Office and are recommended for approval. A listing of principals is included as Attachment A to this docket memorandum.

The University of Iowa requests approval of lease agreements for the University's use of space with:

- Firststar Bank in downtown Iowa City to house selected functions of the Health Sciences Campus, which will be relocated to accommodate campus construction projects;
- 101 West Mississippi in Muscatine, Iowa, for the Pediatric Coronary Risk Factor Project; and
- Ecumenical Community Center Foundation in Cedar Rapids, Iowa, for the Department of Pediatrics Infant Nutrition Unit.

The University also requests approval of leases with Tom Williams and Scott Ogden for their use of University farm land.

Iowa State University requests approval of an amendment to its electrical agreement with the City of Ames for the purchase of additional electrical power, and an easement agreement with the Xenia Rural Water District for the utility's installation of a water line interconnection at the Swine Nutrition Farm.

**Background and Analysis:**

A. UNIVERSITY OF IOWA

1. **FIRSTAR BANK, N. A. (Landlord)**—The University requests approval to enter into a lease agreement as lessee with Firststar Bank for the University's use of 18,070 square feet of office space located in the Firststar Bank Building, 204 East Washington Street, Iowa City. The space will be leased for a five-year term commencing April 1, 2001, through March 31, 2006, at the rate of \$18,070 per month (\$12 per square foot, \$216,840 per year).

The University wishes to lease the space to house functions of the Health Sciences Campus which must be relocated to accommodate demolition of the Steindler Building and remodeling of the Medical Education Building. At this time, the University plans to use the leased space to house faculty and staff from the Colleges of Medicine and Public Health. However, the University reports that the users of the space will likely vary during the term of the lease to accommodate the construction projects on the Health Sciences Campus.

The University agrees to be responsible for claims arising from its use and occupancy of the space in accordance with Iowa Code Chapter 669.

2. **101 WEST MISSISSIPPI, LLC (Landlord)**—The University requests approval to renew its lease as lessee with 101 West Mississippi, LLC, (formerly Carver Hotel Enterprises) for the University's use of 1,762 square feet of office space located in Muscatine, Iowa, for use by the Pediatric Coronary Risk Factor Project of the College of Medicine.

The lease will be renewed for a two-year period commencing March 1, 2001, through February 28, 2003, at the rate of \$1,557 per month (\$10.60 per square foot, \$18,684 per year). This is the same rate as paid under the current lease agreement.

The University agrees to be responsible for claims arising from its use and occupancy of the space in accordance with Iowa Code Chapter 669.

3. **ECUMENICAL COMMUNITY CENTER FOUNDATION (Landlord)**—The University requests approval to renew its lease as lessee with the Ecumenical Community Center Foundation for the University's use of 369 square feet of office space located at the Ecumenical Community Center Foundation Building, Cedar Rapids, Iowa. The space is used as a satellite facility for the Department of Pediatrics Infant Nutrition Unit to recruit subjects to participate in a growth study of formula-fed infants.

The lease will be renewed for a one-year period commencing March 1, 2001 through February 28, 2002, at the rate of \$525 per month (\$17.07 per square foot, \$6,300 per year). This is an increase of 5 percent over the current lease rate.

The University agrees to be responsible for claims arising from its use and occupancy of the space in accordance with Iowa Code Chapter 669.

4. **FARM LEASES**—The University seeks approval to renew its cash rent farm leases as owner for the Hawkeye Area Farm and the Oakdale Farm located in Johnson County, Iowa. The properties are managed by Trumm Farm Management (formerly Firststar Farm Management) of Cedar Rapids, and are leased annually to tenant farmers. The same firm has managed the farms since 1967; the University reports that the firm provides excellent management services for a reasonable fee. The University currently pays a total of 5 percent of gross farm income to the farm manager; the University reports that the standard regional fee for these services is 7 percent.

The primary goal of the University and the farm manager is asset preservation through a strict program of soil conservation and maximum farm rental income. Given that consideration, the University believes the leases provide a reasonable return to the University with minimal risk while maintaining sound conservation practices.

The farm operators are required to comply with the cropping plan set forth by the farm manager, protect trees and shrubbery, and control noxious weeds. In addition, the operators are required to provide copies of soil tests and to fertilize in accordance with soil test recommendations. The operators are also required to furnish receipts indicating actual fertilizer, lime and trace minerals applied.

The leases will be renewed for a one-year period commencing March 1, 2001, through February 28, 2002. The leases contain the Board's standard indemnification clause for farm leases which protects the owner by requiring the operator to indemnify, defend and hold harmless the owner against liability due to operator's negligence or failure to perform.

- a. TOM WILLIAMS (Operator)—The University wishes to renew its lease as owner with Tom Williams for his use of approximately 139.6 acres of farm land known as the Hawkeye Area Farm. Mr. Williams has been leasing land at the Hawkeye Farm since 1986. The lease agreement provides for cash rent in the amount of \$11,489 per year (an average of \$82.30 per acre) payable in equal installments on or before March 1, 2001 and December 1, 2001. All costs including operations, seed, fertilizer, lime and chemicals are to be paid by the tenant.

The quality of land at the Hawkeye Farm is below average for Johnson County. The Hawkeye Farm is divided into 13 relatively small fields, eight of which are less than ten acres each. All fields are of odd shapes and most have steep slopes with highly erodible soil.

The mix of the crop land and rental rates is as follows:

	<u>Acres</u>	<u>Rate</u>	<u>Amount</u>
Corn or set-aside	50.8	\$110	\$ 5,588
Soybeans	78.3	70	5,481
Hay	<u>10.5</u>	40	<u>420</u>
	139.6		\$ 11,489

The proposed annual rental income represents a decrease of approximately 11.4 percent from the 2000 lease although the rental rate for each crop is unchanged. The total acreage of the farm has decreased by 3 acres and there have been changes in the crop mix. These changes include a decrease of 30.5 acres for corn at \$110 per acre, an increase of 26 acres for soybeans at the lower rate of \$70 per acre, and an increase of 1.5 acres for hay at \$40 per acre.

- b. SCOTT OGDEN (Operator)—The University wishes to renew its lease as owner with Scott Ogden for his use of approximately 34.2 acres of farm land located on the Oakdale Campus and known as the Oakdale Farm. Mr. Ogden has been leasing land at the Oakdale Farm since 1990. The lease agreement provides for cash rent in the amount of \$1,150.50 per year (an average of \$33.64 per acre) payable on or before December 1, 2001. All costs including operations, seed, fertilizer, lime and chemicals are to be paid by the tenant.

The most productive crop land on the Oakdale property has been eliminated due to the Oakdale Research Park. The remaining crop land is split into four fields suitable for row crops ranging in size from 2.2 acres to 12.9 acres. Crop fields and pasture land are widely scattered and separated by highways, roads, a microwave tower railroad right-of-way, the Oakdale Research Park and the Oakdale Campus. The quality of the remaining fields is considerably below average for the region and is reflected in the rental rates.

The mix of the crop land and rental rates is as follows:

	<u>Acres</u>	<u>Rate</u>	<u>Amount</u>
Corn	12.9	\$60	\$ 774.00
Oats	5.7	25	142.50
Pasture	<u>15.6</u>	15	<u>234.00</u>
	34.2		\$1,150.50

The proposed rental terms are identical to the 2000 lease.

**B. IOWA STATE UNIVERSITY**

1. **ELECTRICAL AGREEMENT WITH THE CITY OF AMES**—The University requests approval to amend its existing electrical service agreement with the City of Ames. The amendment will provide for the purchase of 2.5 megawatts of reserve power for the two-year period commencing May 1, 2001, through May 1, 2003. The power will be purchased at the rate of \$7.90 per kilowatt per month demand charge and \$0.0195 per kilowatt hour for energy provided, for the period effective May 1, 2001, through May 1, 2002, with an increase to \$8.30 per kilowatt per month for the period effective May 1, 2002, through May 1, 2003.

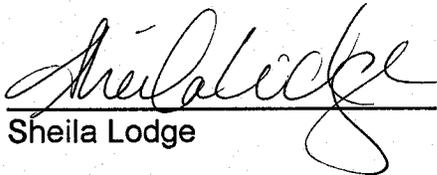
The University currently purchases power from the City of Ames on an economy basis only (if the purchase cost is less than the University's cost to generate the power). The University's reserve power supply was provided by the City of Ames prior to May 1, 2000. Since that date, the City has contracted with Muscatine Power and Water for the purchase of additional electrical power to provide the University's reserve power supply. This was necessary since the City of Ames had reached its electrical generation capacity. The existing agreement with Muscatine Power and Water, which is in effect through May 1, 2005, provides for the purchase of power at the current rate of \$7.50 per kilowatt per month through May 1, 2001. This cost increases at the rate of approximately 5 percent per year for each year of the agreement to the rate of \$9.10 per kilowatt per month effective May 1, 2004, through May 1, 2005.

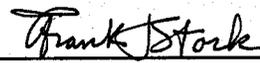
The proposed amendment to the electrical service agreement with the City of Ames provides once again for the University's purchase of reserve power from the City of Ames. The additional power is needed to supplement the reserve power currently provided by Muscatine Power and Water to meet increasing campus electrical requirements. The University reports that the City of Ames has purchased additional electrical capacity which will provide sufficient supply to meet the University's increased electrical demand.

2. EASEMENT AGREEMENT WITH XENIA RURAL WATER DISTRICT—The University requests approval to enter into an easement agreement with the Xenia Rural Water District for the installation of a water line interconnection at the Swine Nutrition Farm in Boone County. The proposed connection, which would serve the Xenia Rural Water District systems in Boone and Story Counties and future rural water access for the Swine Farm, would be installed by the utility at no cost to the University. The proposed easement would be in effect for a term of 50 years. The University reports that the easement would extend through cultivated farmland at a depth that would not adversely affect farm activities.

The Xenia Rural Water District agrees to indemnify and save the University harmless from damages resulting from the utility's use of the easement area.

The easement agreement would require approval of the Executive Council of Iowa.

  
Sheila Lodge

Approved:   
Frank J. Stork

Attachment A

Listing of Principals for Leases, February 2001

Lease Principals

**University of Iowa**

Firststar Bank

Joseph G. Ullrich,  
Real Estate Officer

The principal has no affiliation with the University

101 West Mississippi

David Maeglin, Manager

The principal has no affiliation with the University

Ecumenical Community Center Foundation

Dean Spina, President

The principal has no affiliation with the University

Hawkeye Area Farm

Tom Williams

The principal has no affiliation with the University

Oakdale Farm

Scott Ogden

The principal has no affiliation with the University

**Iowa State University**

City of Ames

Ted Tedesco, Mayor

The principal is not employed by the University. The University reports that payments have been made to the City in accordance with established purchasing procedures.

Xenia Rural Water District

Dan Miller, Executive Director

The principal is not employed by the University. The University reports that payments have been made to the utility in accordance with established purchasing procedures.