

Contact: Jean Friedrich

UNIVERSITY OF IOWA PROPOSED PROPERTY PURCHASE

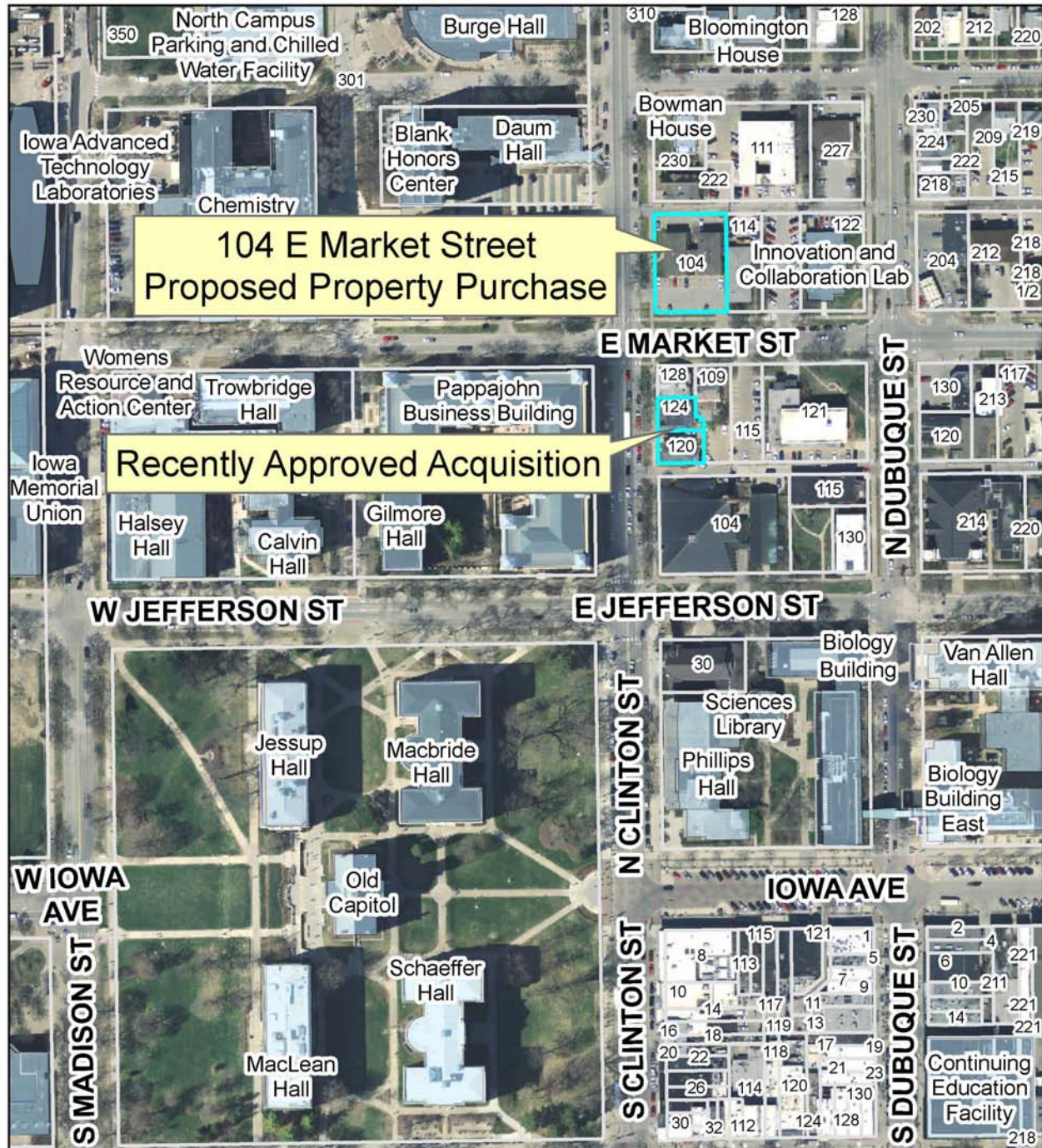
Action Requested: Consider recommending to the Board approval of the purchase of property at 104 East Market Street, Iowa City, Iowa, at a price of is \$2,600,000 from Fred A Riddle Jr. for the benefit of the University of Iowa, and a waiver of Board Policy 9.02 C.2 (conveyance of real estate for monetary consideration based on appraisal), subject to approval of the final documents by the Board Office and Attorney General's Office.

Executive Summary: The University of Iowa requests approval to purchase property at 104 East Market Street, Iowa City, Iowa. (The address is 102-108 Market Street.) The property consists of 16,500 square feet of land and a mixed use 2.5 story commercial building (built in 1974) in good condition with a dental office (owned and operated by the Seller) and 10 residential two-bedroom apartments. There are 34 parking stalls on the property. The property is located at the corner of Clinton and Market Streets; this is a key location immediately adjacent to the central University campus, including the Pentacrest, the John Pappajohn Business Building, and numerous other University academic buildings and residence halls. A map showing the location is included as Attachment A.

The purchase price for the property is \$2,600,000 comprised of a \$300,000 gift credit to the University and \$2,300,000 cash to be paid in 40 quarterly installments of \$65,165.24 which includes interest charges of 2.5%. The 10-year installment contract would commence on July 31, 2015, with the final balance due on or before April 30, 2025. The Seller can accelerate the installment payments and request a balloon payment with a 90-day notice to the University. The parties anticipate closing on title to the property and the University taking occupancy at the end of year 5 (with post possession payments continuing to Seller). There are various closing and occupancy acceleration and delay scenarios specified in the purchase agreement which are dependent on the Seller's retirement and the sale of his dental practice.

Two appraisals have been received for the property estimating the value at \$2,025,000 and \$2,060,000. Based upon Board policy for acquiring property (not more than 5% over the average of two appraisals), the maximum purchase price would be \$2,145,000. The University requests a waiver of the policy for this purchase since the University has been attempting to acquire this key piece of property for several years, and the Seller has received a formal all-cash offer from a private 3rd party for \$2,600,000. The Seller's CPA has reviewed and verified this 3rd party cash offer, which has been shared with the University's General Counsel. In April 2014, the Board approved the University's purchase of two parcels of real estate in the block immediately south of this proposed purchase. The price per square foot of that approved purchase is significantly higher than this proposed purchase (\$272 per s/f versus \$158 per s/f). That approved purchase is not reflected in the appraisers' "comparables" since the University has not closed on the other transaction.

Funds for the purchase of this property will be provided from Treasurer's Temporary Investment Income (TTI).



Plotted: Thursday, April 30, 2015



1" = 200'

Location Map:

**104 E Market St &
Recently Approved
Acquisition**