Approved by the Board of Trustees

March 20, 2025

**23**

 Board Meeting

 March 20, 2025

ROLL CALL

DELEGATE AUTHORITY TO THE COMPTROLLER TO INITIATE
A PUBLIC-PRIVATE PARTNERSHIP PRE-DEVELOPMENT PROCESS
AND TO ENTER INTO RELATED AGREEMENTS TO CONSTRUCT
THE NATIONAL QUANTUM FACILITY, URBANA

**Action:** Delegate Authority to the Comptrollerto Initiatea Public-Private Partnership Pre-Development Process and to Enter into Related Agreements to Construct the National Quantum Facility

**Funding:** Project Revenues and Institutional Funds

 The chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System, with the concurrence of The Grainger College of Engineering, the Office of the Vice Chancellor for Research and Innovation, and appropriate administrative officers, recommends that the Board delegate to the comptroller the authority to initiate a pre-development process to include the issuance of a Request for Proposal (RFP), perform other pre-development activities, and enter into agreements necessary for the development, construction, and financing of a new approximately 51,000-square-foot facility to be known as the National Quantum Facility (the “Project”). The Project’s development, construction, and financing will be performed utilizing a public-private partnership (P3) model.

National Quantum Facility

The National Quantum Facility (NQF) represents a key component of the quantum technology initiative of the State of Illinois, designed to accelerate research and development in quantum computing while fostering collaboration between academia and industry under the leadership of the University of Illinois Urbana-Champaign. The NQF will serve as a critical resource for the quantum computing community, offering essential infrastructure for quantum technology development and testing within the broader Illinois Quantum and Microelectronics Park ecosystem.

The proposed state-of-the-art facility will support a diverse ecosystem of quantum computing enterprises from early-stage startups to established companies and research institutions operating under the governance of the IQMP, LLC. The NQF will provide tenants access to advanced cryogenic resources through leasing arrangements ranging from short-term engagements to extended research programs.

A feasibility study was conducted with Gensler Architecture, Design & Planning, P.C.; IQMP, LLC leaders; University of Illinois System Office of Capital Programs, Real Estate and Utility Services; and private sector tenants. The study was completed in January 2025 and contemplates programming for offices, labs, shared amenity space, dedicated research space and benches in the fridge fleet room, and a cryogenic plant that will produce the helium needed to support quantum technologies.

Development Process

 The National Quantum Facility project requires Board approval at two points.

The first approval being requested now is to delegate authority to the comptroller to initiate the P3 process and enter into related agreements. This consists of the publication of an RFP in the Illinois Higher Education Procurement Bulletin, selection of the project development team, and execution of related pre-development agreements. Pre-development activities to be completed by the selected team throughout this process include (but are not limited to) scope and design, negotiation of the transaction documents, budget projections, and pre-financing activities. This pre-development phase will not exceed a total cost of $3.5 million and will require multiple milestones to be achieved before moving forward. If the steering committee, that may include representation from the University Office of Capital Programs, Real Estate and Utility Services, Office of Treasury Operations, and University of Illinois Urbana-Champaign; and the comptroller are satisfied with the deliverables from the pre-development activities described above, the comptroller will proceed with final Board approvals and pre-development expenses will be rolled into the final financing structure. Should these parties not feel it in the best interest of the Board to proceed at that time, the comptroller may elect to cease proceedings and direct the remittance of fees due.

The second and final approval by the Board will request approval of final design and authorize delegation of authority to the comptroller to execute the transactional documents for the construction and financing of the Project.

Public-Private Partnership Project Summary

The Project will be structured as a P3 utilizing a concession arrangement under Section 53-25 of the Illinois Procurement Code (30 ILCS 500/53-25) with a ground lease and the issuance of long-term debt by a third-party. The University utilizes different capital delivery methods and processes based on the unique needs of each project. When appropriate and feasible, the University uses the P3 model to secure the anticipated advantages of increased speed of capital delivery, guaranteed maximum price, a firm delivery date, and a risk-sharing partnership with the private sector.

In this P3 model, the University is expected to ground lease its land to a third party, referred to as the “Project Owner-Borrower,” who will contract with and lead the development team. This team may include a separate developer and a general contractor and will be engaged through the RFP process to construct the building on the ground-leased land. When the building is completed, the University will sublease it from the Project Owner-Borrower. The Project Owner-Borrower owns the building until the debt is retired, at which time ownership of the building will revert to the University, and the ground lease terminates.

Project Structure and Financing

The total project costs are currently projected to be funded by external financing, but opportunities for capital contributions are under consideration and would reduce the total borrowing amount. Repayment of the debt would primarily be sourced from revenues generated by Facility Use Agreements with private tenants utilizing the space. Additional sources of revenue are expected to come from grants. The Board will serve as a backstop security if necessary. It is contemplated that the operations and maintenance of the Project will be performed by a third party selected and retained by NQF leadership.

The overall financing structure for the Project will be determined following the RFP process and through the pre-development phase in conjunction with the Board’s municipal advisor. The final financing plan will be presented to the Board as a component of the second step of the Development Process as described above for approval.

 The final structure will contain provisions requiring the Project to be constructed and operated in accordance with campus standards. Provisions in the ground lease will also include specific areas of support and cooperation between the Board and the Project Owner-Borrower. Under the ground lease, the land will remain owned by the University, and the Project Owner-Borrower will own the improvements for the term of the financing.

The Board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The vice president/chief financial officer and comptroller concurs.

The president of the University of Illinois System recommends approval.