Approved by the Board of Trustees

November 14, 2024

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Board Meeting

November 14, 2024

ROLL CALL

# APPROVE DESIGN AND DELEGATE AUTHORITY TO THE COMPTROLLER TO EXECUTE THE DEVELOPMENT, CONSTRUCTION, AND FINANCING OF THE GRENSHAW STREET PARKING STRUCTURE AND TAYLOR-WOOD STREET IMPROVEMENTS, CHICAGO

**Action:** Approve Design and Delegate Authority to the Comptroller to Execute Development, Construction, and Financing of the Grenshaw Street Parking Structure and Taylor-Wood Street Improvements, Chicago

**Funding:** Institutional Funds Operating Budgets

In September 2023, the Board approved the delegation of authority to the comptroller to enter into a public-private partnership (P3) pre-development agreement in order to design and construct the Grenshaw Street Parking Structure at the University of Illinois Chicago (UIC). The Project consists of an approximately 1,000-space parking structure known as the Grenshaw Street Parking Structure and adjacent traffic infrastructure improvements (together known as “the Project”). The development of construction documents is 90 percent complete, and the budget has undergone several revisions through optimization. Extensive due diligence has been completed on the underground utilities that currently encumber the site, and a plan to relocate or abandon the various utilities is complete. This due diligence will ensure a clean title at the time of financial close.

Accordingly, it is recommended that, subject to satisfactory resolution of final contract terms, the Board approve and delegate to the vice president/chief financial officer and comptroller, the authority to execute all necessary documents, including the Ground Lease, University Sublease, Development Agreement, and related documents and actions necessary for the development, construction, and financing of the Project.

## Grenshaw Street Parking Structure

The Project bundles into a single P3 the parking structure and traffic improvements at UIC. The Grenshaw Street Parking Structure will provide needed parking for the UIC West Campus faculty and staff population. Increased parking demand in the area is driven by the growth of the University of Illinois Hospital and Clinics, including the opening in 2022 of the UI Health Specialty Care Building, and the permanent elimination of spaces to make way for the Drug Discovery and Cancer Research Pavilion, and the significant growth in hospital and clinic visits. The Project is strategically located north of the intersection of Grenshaw Street and Wolcott Avenue and will include traffic infrastructure improvements at the nearby intersection of Taylor and Wood Streets to address traffic issues related to the expansion of the West Campus. Site selection and designs are in accordance with the University of Illinois Chicago Master Plan and design standards.

The budget for the parking structure is approximately $65.0 million, and the budget for the traffic improvements is approximately $3.5 million. Construction is scheduled to be complete by mid-summer of 2026.

For the Project to proceed, it is necessary to approve the proposed design for the parking structure. The design meets all campus building standards, including the Americans with Disabilities Act, accessibility, and applicable State and federal standards, and is within the approved budget.

Accordingly, the chancellor, University of Illinois Chicago, and vice president, University of Illinois System, with the concurrence of the appropriate administrative officers, recommends that the design be approved.

## Public-Private Partnership Project Summary and Scope

The Project is structured as a concession arrangement pursuant to Section 53-25 of the Illinois Procurement Code (30 ILCS 500/53-25) with a ground lease for the structure and the issuance of bonds by the Illinois Finance Authority. This public-private partnership model (P3) is an available capital delivery approach for the University of Illinois System, with over half a billion dollars in University projects completed or under development since 2019. The University utilizes different capital delivery methods and processes based on the unique needs of each project. When appropriate and feasible, the University utilizes the P3 model to secure the anticipated advantages of increased speed of delivery, guaranteed maximum price and firm delivery date, and sharing risk with the private sector.

In a P3 model, the University leases its land to a tax-exempt non-profit entity in the form of a ground lease. That entity engages the developer and contractors to construct the building, after which the University subleases. The non-profit entity owns the building until the debt is retired. At this time, ownership reverts to the University, and the ground lease terminates.

## Development Process

In support of this Project planning, the University solicited proposals in September 2023 for the development and construction of the facilities. Five nationally recognized development teams presented proposals for the Project. As a result of the solicitation process, Lincoln Property Company and Hunt Development Group, LLC were chosen as the lead co-developer (the “Developer”) to implement the development financing, construction, equipping, and operation of the Project. The architecture partner is Gensler. As a part of the team, Provident Resources Group, Inc. (Provident) will serve as the tax-exempt ground lessee and owner of the facilities. The selected team includes Turner Construction Company as the general contractor and RBC Capital Markets, LLC as the underwriter. Following the award to the Developer, the Board entered into a pre-development agreement with the Developer to conduct pre-development and design activities for the Project as a whole, commence construction of utility relocations that encumber the project site, and procure long lead items before bond issuance and closing, currently targeted for January 2025.

The entire process that led to the award of this concession was reviewed and approved by the chief procurement officer for higher education.

## Project Structure and Financing

The total cost of the project parking structure and traffic improvements is currently estimated to be approximately $68.5 million, of which $65.0 million is expected to be financed, and the remainder is funded through an equity contribution by the University. The proposed financing structure for the Project will be based on a privatized P3 financing model through which the Board of Trustees will ground lease the land on which the Project is located to a single member limited liability company (the “Borrower”), the sole member of which is Provident, a non-profit 501(c)(3) tax-exempt organization established to assist colleges and universities across the country in providing academic and related facilities for their students and otherwise furthering their education missions. The Borrower will be organized exclusively to carry out the Project and is not expected to have any assets other than those that are associated with the Project. The Developer and the Borrower will enter into a development agreement pursuant to which the Developer will implement the design, construction, and commissioning of the Project in accordance with plans approved by the University.

The Project will be financed through bonds issued by the Illinois Finance Authority (the “IFA”), and the proceeds of those bonds will be lent to the Borrower by the IFA. The ground lease for the facility will extend for a term in excess of the maturity of the proposed bond financing and will contain provisions requiring the Project to be constructed in accordance with campus standards. Provisions in the ground lease will also include certain areas of support and cooperation between UIC and the Borrower. Under the ground lease, the land will always remain owned by the University, and the Borrower will own the improvements for the term of the financing described below.

The Borrower will sublease the parking structure within the Project to the University. Rent payable under the sublease will be based on the annual debt service costs attributable to the financed portion of the Project.

UIC Parking Services will perform operations and maintenance of the facility. The Borrower will own the building within the Project until it reverts to the Board of Trustees at the end of the financing term, or upon earlier repayment of the debt issued for this Project. The Development Agreement and construction contracts will provide for meeting or exceeding University Women Minority Business Enterprise goals and all labor requirements.

## P3 Agreement Package

The Board of Trustees is required to enter into a series of agreements with the Borrower and Developer to authorize and complete the Project, and to give such approvals and take such other actions consistent with the ground leases, as the parties consider necessary and appropriate in connection with the development, construction, financing, and operation of the Project as described above. The principal documents that the Board will execute are as follows:

**Ground Leases**: The ground lease for the Project is between the Board and the Borrower and will be for a term of up to 40 years but will terminate upon the retirement of debt based on a 30-year repayment schedule. The ground lease defines the University-owned land that will be leased to the Borrower, obligations of the parties for development, maintenance, insurance, operation, and financing of improvements.

**Subleases**: The sublease provides the terms and conditions for the lease of the Project by the Board from the Borrower including base rent (equal to principal and interest on the bonds issued by the IFA) and additional rent for operating costs.

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.