Approved by the Board of Trustees

September 21, 2023

**08**

 Board Meeting

 September 21, 2023

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 GRENSHAW STREET PARKING STRUCTURE, CHICAGO

**Action:** Delegate Authority to the Comptrollerto Initiatea Public-Private Partnership Pre-Development Process and to Enter Into Related Agreements to Construct the Grenshaw Street Parking Structure

**Funding:** 3M Auxiliary Enterprise Under Indenture Fund (2-301190)

 The chancellor, University of Illinois Chicago, and vice president, University of Illinois System, with the concurrence of appropriate administrative officers, recommends that the Board of Trustees 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 1,000 space parking facility, to be known as the Grenshaw Street Parking Structure, together with adjacent traffic infrastructure improvements (Project). The Project's development, construction, and financing will be performed utilizing a public-private partnership (P3) model.

Grenshaw Street Parking Structure

 The Grenshaw Street Parking Structure will provide needed parking for the University of Illinois Chicago (UIC) West Campus student, faculty, and staff population. Increased parking demand is driven by the growth of the University of Illinois Hospital and Clinics, including the opening in 2022 of the Outpatient Surgery Center and Specialty Care Building at UI Health, the permanent loss of spaces to make way for the Drug Discovery Building and Cancer Research Pavilion, and the significant growth in hospital and clinic visits. The preliminary plan is based on a feasibility study by RATIO Architects, LLC. The Project is strategically located north of the intersection of Grenshaw Street and Wolcott Avenue. The Project will also 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.

Development Process

 The Project will have a two-step Board approval process. The first step is to delegate the authority to the comptroller to initiate the P3 process, issue an RFP, select the project developer team, and enter into related pre-development agreements. The second step, anticipated after the pre-development phase, will seek final approval by the Board to delegate authority to the comptroller to execute the transactional documents for the construction and financing of the Project.

 Upon approval of this Board item, the next steps will include an RFP project solicitation to be published in the Illinois Higher Education Procurement Bulletin, a comprehensive evaluation and selection process, the development team selection, and the completing typical pre-development activities. Such activities will be carried out with the input and guidance of appropriate UIC and System officials. They will include the project scope and design, negotiation of the transaction documents, budget projections, and pre-financing activities. The pre-development activities to be performed by the selected developer team include, but are not limited to, relocating utilities for the site and securing related releases and grants of utility easements required by the City of Chicago, affected utility companies, and the title insurer for the Project.

Public-Private Partnership Project Summary

 The Project is 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 bonds by the Illinois Finance Authority (IFA). 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 delivery, guaranteed maximum price and firm delivery date, and sharing risk with the private sector.

 In a P3 model, the University ground leases its land to a tax-exempt not-for-profit entity (Project Owner-Borrower) that is part of the development team. The Project Owner-Borrower contracts with the developer, who contracts with a general contractor, to construct the building on the ground-leased land. When the building is completed, the University subleases it from the Project Owner-Borrower. The Project Owner-Borrower owns the building until the debt from the bond issuance is retired, at which time ownership of the building reverts to the University, and the ground lease terminates.

Project Structure and Financing

 UIC parking system revenues will repay the bonds. An analysis of the UIC parking system's ability to satisfy the anticipated P3 debt service has been completed. The detailed analysis indicates that the UIC parking system will generate enough annual revenue (including forecasted revenue from the new parking structure) to cover all expenses, P3 debt service (which is paid via sublease rent), and provide funding for future capital upgrades and maintenance to the UIC parking system. It is anticipated that UIC will make an equity contribution of at least $2.0 million to the Project, based on a previously approved budget for traffic infrastructure related to the Project. Operations and maintenance of the Project will be performed internally by the UIC parking system and the Office of the Vice Chancellor for Administrative Services.

 The overall financing structure for the Project will be based on a privatized P3 financing model through which the University will lease the land through a ground lease agreement on which the Project is located to the Project Owner-Borrower, which is a single-member limited liability company, the sole member of which is a not-for-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 educational missions. The Project Owner-Borrower will be organized exclusively for carrying out the Project and is not expected to have assets other than those associated with the Project. The developer and Project Owner-Borrower will enter into a development agreement pursuant to which the developer will implement the Project's design, construction, and commissioning in accordance with plans approved by the University.

 Consistent with the provisions in the Illinois Procurement Code concessions article, the Project will be financed through bonds issued by the IFA, and the proceeds of those bonds will be loaned to the Project Owner-Borrower by the IFA. The ground lease for the Project will extend for a term in excess of the maturity of the proposed bond financing. It 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 UIC and the Project Owner-Borrower. Under the ground lease, the land will always 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.