Approved by the Board of Trustees

September 23, 2021

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 Board Meeting

 September 23, 2021

ROLL CALL

## APPROVE DEVELOPMENT AGREEMENT FOR THE UNIVERSITY OF ILLINOIS RESEARCH PARK

**Action:** Approve Development Agreement for the University of Illinois

 Research Park

**Funding:** No New Funding Required

### Brief History of Research Park Development Agreements

 In January 2000, the Board of Trustees authorized the formation of the University of Illinois Research Park, LLC (UIRP), a limited liability company, to assist the University in developing and operating the Research Park to foster new start-up companies, to bring innovative research to the marketplace, to retain top University talent, to attract research units of major corporations, to create jobs, and to spur economic development. The Board of Trustees of the University of Illinois is the sole member of the UIRP. A Services and Management Agreement was entered into between the University and the UIRP to define the responsibilities of the UIRP for the operation of the Research Park and the incubator (EnterpriseWorks). The Services and Management Agreement authorized the UIRP to enter into a development agreement with a developer and establish a declaration of covenants for the Research Park in Champaign. A ten-year development agreement was entered into with Fox/Atkins Development, LLC on May 3, 2000, and then again on May 11, 2011, which has expired. Currently, the UIRP is seeking a Developer for specific projects in the southern portion of the Research Park known as Zones 1 and 2.

### Selection Process for Next Development Partner

 The UIRP published a Request for Proposal (RFP) on February 19, 2021, through the Illinois Higher Education Procurement Bulletin for specific land development proposals within Zone 1 and Zone 2 of the Research Park boundaries designated for the following potential uses:

* Graduate student and/or professional market-rate housing projects (not undergraduate targeted housing projects)
* Mixed-use development including residential, office, or retail uses
* Commercial office development (developer-owned)
* Office/research development of owner-occupied buildings (subdivide land)
* Research facilities
* Medical-related facilities and associated uses
* Other uses which are consistent with the Research Park mission as may be determined by UIRP and the University

The RFP requested a developer to begin construction in 2021 and bring project(s) to completion by 2023 in Zone 1 and Zone 2 of the Research Park specifically. Based on that performance, renewals may be authorized by UIRP to allow for continued development within those zones or potentially within other areas of the Research Park.

The Research Park RFP Committee was established for technical evaluation, which was chaired by Sharee Robinson, the Associate Vice Chancellor for Research. The Research Park committee reviewed each of the proposals and considered these aspects for the future of the Research Park:

* Alignment of goals for future development of the Research Park with the UIRP Strategic Plan.
* Consideration of the spectrum of types of space and real estate available in the UIRP that will be needed for future plans, density and optimization of land use, and the alignment with the adopted Research Park Master Plan.
* Design and quality of construction planned.
* Identifying real estate in the Research Park which can significantly drive key development projects while creating sustainable financial feasibility for the UIRP.
* Metrics for development performance, including construction schedule and delivery.
* Qualifications of the real estate development team.
* Financial review of the investment proposed and the financial strength of the development partners to create successful development.
* Development or financial obligations required by the University or UIRP for proposals to proceed.

Four development teams submitted proposals in response to the RFP. The RFP Committee completed a thorough, strategic, and objective review of the proposals, including interviews with each development team. The RFP Committee evaluated proposals based on the optimization of the land use, consistency with the Research Park Strategic Plan, and financial sustainability. From this group, two teams were selected to engage in detailed negotiations regarding a potential Development Agreement. The results of these negotiations were reported to the UIRP Board of Managers for final developer selection.

### Preferred Developer Team

 On August 31, 2021, the UIRP Board of Managers approved recommending to the Board of Trustees of the University of Illinois a proposed development agreement between the UIRP and Fox Development and affiliates. Fox Development Corporation, Fairlawn Real Estate, GEM Realty Capital, and The Atkins Group (all affiliates) have partnered to propose a new phase of development in the Research Park. The project will be owned and operated by a Joint Venture among Fox Development Corporation, GEM Realty Capital, Fairlawn Real Estate and The Atkins Group (or their affiliates), and various Limited Partners (passive investors, including Oxford Partners in an undefined role).  UIRP Apartments Owner, LLC would be established for the partnership. Fairlawn Real Estate would develop, construct, and would manage the residential component of the project.

### Project Description

 The Residential portion of the plan includes 273 apartments and 22 rental townhomes with attached garages, for a total of 534 beds and 295 units. The apartment mix consists of:

* 110 one-bedroom apartments (650 square feet), $1,419 per month
* 119 two-bedroom apartments (940 to 965 square feet), $1,644 per month
* 44 three-bedroom apartments (1,280 square feet), $2,169 per month
* 18 two-bedroom units (1,550 square feet), $2,419 per month
* 6 three-bedroom units (1,740 square feet), $2,569 per month

The 1-and 2-bedroom apartments are expected to serve graduate students, young professionals, young couples, and small families. The 3-bedroom units (both apartments and townhomes) are designed to serve younger or visiting families, along with professionals desiring in-home office space, and even seniors and retirees looking to downsize into a higher-end apartment. The building exteriors are envisioned as a mix of modern brick and stone masonry.

### Retail Development

 The retail portion of the development includes commercial pad sites located along Windsor Road and Fourth Street for single story build-to-suit retail operations. The pad sites are planned for completion in June 2023. A letter of intent has been signed for one of the retail pads.

### Proposed Development Agreement – Key Terms & Conditions

 The proposed development agreement recommended to the Board of Trustees would be in force for three years plus two three-year options based on performance. The key terms and conditions of the proposed development agreement are attached in the document titled “Summary of Proposed Terms of Development Agreement between University of Illinois Research Park, LLC and Fox Development and Affiliates.”

### Recommended Action

 The Vice Chancellor for Research and Innovation recommends the Board of Trustees of the University of Illinois approve the proposed development agreement between the University of Illinois Research Park, LLC and Fox Atkins and Affiliates.

 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 President of the University concurs.

SUMMARY OF PROPOSED TERMS OF DEVELOPMENT AGREEMENT

* Term of Development Agreement: Three years plus two three-year options
* Length of lease for land parcels: 50 years with ability to renew for 25 years at Developer’s option
* Initial Ground Rent: $10,500 annually per acre
* Ground Rent Increases: Adjusted every 5 years based upon CPI increase, up to a maximum of 15 percent, during any 5-year period
* Housing Impact fee: 1 percent of rents to UIRP upon 90% occupancy
* Right of First Opportunity on Sale of Developer Building: UIRP maintains a first right of opportunity on the sale of any Developer building
* Infrastructure: All at Developer cost
* Telecommunications: All at Developer cost
* Utilities: All at Developer cost
* Design Standards: Buildings must meet defined design review criteria
* Schedule: Phased project delivery with partial completion in 2023
* Sale fee: 0.5 percent to UIRP