TO: Members of the Board of Trustees  
FR: Michael B. Cline, Vice President for Physical Facilities  
DATE: August 15, 2016  
RE: Approval of Resolution to Request PRF Assistance to Develop Innovation District

Attachments:

- Resolution
- Memorandum of Understanding between Purdue Research Foundation and The Trustees of Purdue University Concerning Certain Real Estate Matters

Executive Summary:

- The Trustees of Purdue University (the “University”) and the City of West Lafayette, in cooperation with the West Lafayette Redevelopment Commission (“RDC”) and the Purdue Research Foundation (“PRF”), have entered into certain agreements and undertaken certain obligations to procure, fund and facilitate the completion of the State Street Redevelopment Project (the “State Street Project”).

- Under the project development agreement related to the State Street Project (the “PDA”), PRF made available a TIF Support Facility (as defined in the PDA) to provide certain funding for, and incurred certain Project Indirect Costs (as defined in the PDA) associated with, the State Street Project, subject in each case to being reimbursed from revenues to be generated in the West Lafayette 231 Purdue Economic Development Area (“TIF 2”)—all as more particularly described in the PDA.

- The TIF Support Facility was made available through the loan program established under the Purdue Investment Pool—Cash Investment Policy, and any funds advanced thereunder are thus a matter of ongoing interest to the University.

- To fulfill the vision for the transformation of the lands west of the University campus and to ensure that TIF 2 generates sufficient revenues to reimburse funds advanced by PRF for the State Street Project, PRF has entered into an agreement with a master developer, Browning Investments, LLC (“Browning”), pursuant to which the parties have provided a roadmap for the development and construction of the new so-called “Innovation District,” which is expected to yield numerous benefits to the University.
The attached Resolution does the following:

- Declares the necessity of developing the Innovation District and requests that PRF continue to lead that effort;
- Approves a Memorandum of Understanding with PRF concerning various real estate matters related to the Innovation District development;
- Declares the necessity of completing a proposed apartment housing project near the intersection of Airport/McCormick Road and State Street as an early Innovation District development; and
- Requests PRF’s assistance with respect to planning and procuring additional future projects in the Innovation District that involve a substantial University interest and that have been prioritized for launch in the near-term.

Toward this end, the MOU does the following:

- Identifies certain real estate parcels to be exchanged with PRF to better serve University purposes and to promote the success of the Innovation District;
- Provides that, notwithstanding the immediate transfer of title to said parcels, the parcels themselves will be leased back to the prior owner (whether PRF or the University, as the case may be) to allow such owner to continue to receive rental income from the lease arrangements on such parcels until such time as they are needed for development;
- Confirms that the University will be PRF’s agent for the purpose of recovering, from excess TIF 2 revenues when they are made available by the RDC, the Project Indirect Costs that were incurred by PRF for the State Street Project;
- Requires PRF to maintain appropriate accounting records to segregate the results of operations and statements of financial conditions of the Innovation District development;
- Provides that PRF and the University will maintain the existing joint management team comprised of their respective representatives in order to ensure ongoing communication, coordination and collaboration on the activities described in the MOU and other matters related to the Innovation District development.

The MOU requires Physical Facilities Committee and full Board of Trustees approval.
RESOLUTION OF THE BOARD OF TRUSTEES (THE “BOARD”)  
OF THE TRUSTEES OF PURDUE UNIVERSITY (THE “CORPORATION”)  

1. DECLARING THE NECESSITY OF, AND REQUESTING THE  
ASSISTANCE OF THE PURDUE RESEARCH FOUNDATION (THE  
“FOUNDATION”) WITH RESPECT TO, THE DEVELOPMENT OF THE  
Purdue Innovation District (the “Innovation District”);  

2. APPROVING A MEMORANDUM OF UNDERSTANDING WITH THE  
FOUNDATION CONCERNING CERTAIN REAL ESTATE MATTERS  
RELATED TO INNOVATION DISTRICT DEVELOPMENT;  

3. DECLARING THE NECESSITY OF, AND REQUESTING THE  
ASSISTANCE OF THE FOUNDATION WITH RESPECT TO, THE  
COMPLETION OF THE INNOVATION PLACE APARTMENT PROJECT  
WITHIN THE INNOVATION DISTRICT; AND  

4. REQUESTING THE FOUNDATION’S ASSISTANCE WITH RESPECT TO  
PLANNING AND PROCURING ADDITIONAL FUTURE PROJECTS IN  
THE INNOVATION DISTRICT THAT INVOLVE A SUBSTANTIAL  
UNIVERSITY INTEREST AND THAT HAVE BEEN PRIORITIZED FOR  
POTENTIAL LAUNCH IN THE NEAR-TERM  

WHEREAS, the Corporation and the Foundation, together with the City of West  
Lafayette, the West Lafayette Redevelopment Commission, and the Joint Board organized under  
that certain Interlocal Cooperation Agreement dated as of March 12, 2014, as amended and  
supplemented through the date hereof, have entered into certain agreements and undertaken  
certain obligations to procure, fund and facilitate the completion of the State Street  
Redevelopment Project (the “State Street Project”);  

WHEREAS, pursuant to the project development agreement related to the State Street  
Project (the “PDA”), and at the request of the Board, the Foundation has made available a TIF  
Support Facility (as defined in the PDA) to provide certain funding for, and has incurred certain  
Project Indirect Costs (as defined in the PDA) associated with, the State Street Project, subject in  
each case to being reimbursed from revenues to be generated in the West Lafayette 231 Purdue  
Economic Development Area (“TIF 2”)—all as more particularly described in the PDA;  

WHEREAS, the TIF Support Facility has been made available through the loan program  
established under the Purdue Investment Pool—Cash Investment Policy, and any funds advanced  
thereunder are thus a matter of ongoing interest to the Corporation;  

WHEREAS, to fulfill the vision for the transformation of the lands west of the  
Corporation campus and to ensure that TIF 2 generates sufficient revenues to reimburse funds  
advanced from the TIF Support Facility and costs incurred by the Foundation for the State Street  
Project, the Foundation has entered into an agreement with a master developer, Browning  
Investments, LLC (“Browning”), pursuant to which the parties have provided a roadmap for the
development and construction of the Innovation District, which is expected to yield various material benefits to the Corporation;

WHEREAS, in the course of discussing plans for the Innovation District, the Corporation and the Foundation have identified the need to address several matters related to the ownership, use and development of various properties within the Innovation District through a memorandum of understanding between them, a copy of which is attached to this Resolution as Exhibit 1 (the “Real Estate MOU”);

WHEREAS, the recitals to the Real Estate MOU further explain its intent and purpose and are therefore incorporated herein by reference;

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

Innovation District Development:

1. Having considered the benefits to the Corporation, the University and the surrounding community of the proposed development of the Innovation District, the Board finds that a necessity exists to complete said development in collaboration with the Foundation and requests the Foundation to take such further steps with Browning and to enter into such additional agreements and financing arrangements as the Foundation deems necessary or expedient to complete the overall planning and development of the Innovation District.

2. The Board hereby approves the Real Estate MOU in the form reviewed and discussed at this meeting, with such changes thereto as the Treasurer may approve consistent with the purpose and intent of this Resolution (with such approval to be evidenced by his signature thereon).

3. The Board hereby authorizes the Corporation to take the actions outlined in the Real Estate MOU, including the mutual leaseback arrangements described therein and the continuation of joint efforts with the Foundation to communicate, coordinate and collaborate on Innovation District and related State Street Project matters through the efforts of a joint management team—it being acknowledged that further specific actions related to the exchange of parcels between the Corporation and the Foundation shall be approved by the Board via separate resolution.

Innovation Place Apartment Project:

4. In light of the transformational benefits of the Innovation District development and the University’s ongoing interest in increasing the number of integrated living and learning spaces on campus, the Board finds that a necessity exists for the planning and construction of an apartment housing project within the “Gateway Sub-District Site” (as referred to in the Real Estate MOU) near the intersection of State Street and Airport/McCormick Road, the tentative name of which is the “Innovation Place Apartment Project” and the purpose of which is to provide housing for approximately 800 residents while potentially incorporating street-level retail space, restaurant space, and flex workspace.
5. The Board requests the Foundation to take such further steps with Browning and to enter into such additional agreements and financing arrangements as the Foundation deems necessary or expedient to complete the planning, design and procurement of the Innovation Place Apartment Project.

Other Projects Prioritized for Potential Launch in Near-Term:

6. Further recognizing the transformational benefits that will inure to the University from the development of the Innovation District concurrently with the advancement of the State Street Project, the Board requests the Foundation to take such further steps and to enter into such additional agreements and financing arrangements as the Foundation deems necessary or expedient to proceed with the planning, design and procurement of any other “Go Now Projects” (as referred to in the Real Estate MOU) that, by virtue of their location, features or amenities, are likely to involve a substantial University interest and that, in the Foundation’s discussions with Browning, have been prioritized for potential launch in the Innovation District in the near-term.

General Authorization:

7. The Treasurer and Assistant Treasurer of the Corporation, and the Chief Financial Officer and Treasurer and the Senior Vice President and Assistant Treasurer of the University, and each of them, are hereby authorized, in the name and on behalf of the Corporation, or of the University, to negotiate, make and execute such contracts, leases, lease commitments, and other documents as are deemed by them to be necessary or expedient to effectuate the transactions contemplated above (including but not limited to the Real Estate MOU and the agreements contemplated thereby), in each case setting forth such terms and conditions as in their judgment may be reasonably necessary or desirable, and the Secretary and Assistant Secretary of the Corporation, and each of them, are hereby authorized and directed to attest the execution of such contracts, leases, lease commitments and other documents.

8. The above-designated officers, together with the Chairman, Vice Chairman, Legal Counsel, Secretary and Assistant Secretary of the Corporation, and each of them, are hereby authorized and empowered for, on behalf and in the name of the Corporation, or of the University, to execute and deliver any and all other documents and instruments and to take all necessary and proper actions to carry out the purpose and intent of this Resolution, whether herein specifically authorized or not, except such actions as are specifically required by law to be taken by the Board of Trustees as the governing board of The Trustees of Purdue University.

9. All acts of said officers in conformity with the intent and purposes of this Resolution, whether taken before or after this date, are ratified, confirmed, approved and adopted as the acts of the Corporation.
MEMORANDUM OF UNDERSTANDING
BETWEEN
PURDUE RESEARCH FOUNDATION
AND
THE TRUSTEES OF PURDUE UNIVERSITY
CONCERNING CERTAIN REAL ESTATE MATTERS

THIS MEMORANDUM OF UNDERSTANDING is entered into as of the _____ day of
August, 2016 by and between Purdue Research Foundation (“PRF”) and The Trustees of Purdue
University (the “University”).

RECITALS:

WHEREAS, PRF is a nonprofit organization that has as its mission the advancement of the
University's quest for preeminence in discovery, learning, and engagement through effective stewardship
of assets and the promotion of the University’s educational purposes by various means;

WHEREAS, in furtherance of its mission, PRF from time to time: (a) acquires, constructs, and
improves the University's facilities, grounds, and equipment, and (b) acquires and develops real estate
for the expansion and/or support of the University;

WHEREAS, PRF and the University, together with the City of West Lafayette, the West
Lafayette Redevelopment Commission, and the Joint Board organized under that certain Interlocal
Cooperation Agreement dated as of March 12, 2014, as amended and supplemented through the date
hereof, have entered into certain agreements and undertaken certain obligations to procure, fund and
facilitate the completion of the State Street Redevelopment Project (the “State Street Project”);

WHEREAS, pursuant to the project development agreement related to the State Street Project
(the “PDA”), and at the request of the Board of Trustees of the University, PRF has made available a
TIF Support Facility (as defined in the PDA) to provide certain funding for, and has incurred certain
Project Indirect Costs (as defined in the PDA) associated with, the State Street Project, subject in each
case to being reimbursed from revenues to be generated in the West Lafayette 231 Purdue Economic
Development Area (“TIF 2”)—all as more particularly described in the PDA;

WHEREAS, to fulfill the vision for the transformation of the lands west of the University
campus and to ensure that TIF 2 generates sufficient revenues to reimburse funds advanced from the TIF
Support Facility and costs incurred by PRF for the State Street Project, PRF has entered into an
agreement with a master developer, Browning Investments, LLC (“Browning”), pursuant to which the
parties have provided a roadmap for the development and construction of the so-called “Innovation
District,” which is expected to yield various material benefits to the University;

WHEREAS, in the meantime, the University has separately identified several properties owned
by PRF that are proximate to campus and that are or would be necessary and useful in managing,
operating or servicing the University (the “Desired Properties”);
WHEREAS, based on market feedback and input from Browning, PRF and the University have recognized that a distinct comparative advantage and key success factor in the rapid development of the Innovation District would be PRF’s sole ownership of the lands located within the Innovation District Site, which consists of an “Aerospace Park Sub-District Site” and a “Gateway Sub-District Site,” as identified in Exhibit A attached hereto;

WHEREAS, as a result of various property acquisitions over the years, including several recently approved and consummated ones, PRF is already the owner of the substantial majority of the parcels located in the Aerospace Park Sub-District Site and the owner of all but approximately 68.6 acres of the approximately 140 acres located in the Gateway Sub-District Site;

WHEREAS, to enable the University to acquire the Desired Properties and to take full advantage of the favorable dynamics and benefits associated with PRF’s sole ownership of the area within the Innovation District, the University has approached PRF with a proposal, consistent with past practice, to transfer to PRF the parcels still owned by the University in the Innovation District Site (the “Innovation District Properties”) in exchange for the Desired Properties;

WHEREAS, notwithstanding their mutual desire to proceed with this parcel exchange, PRF and the University both recognize that they currently benefit from revenue-producing operations on certain of their respective properties that will be exchanged in the transaction (the “Revenue-Producing Properties”), and they therefore wish to make arrangements that would enable each of them to continue to collect rents from these properties until such time as they are needed for specific projects, whether they be projects involving Innovation District Properties (in PRF’s case) or projects involving Desired Properties (in the University’s case);

WHEREAS, the parties acknowledge and agree that: (a) PRF and Browning have identified several “Go Now Projects” for the Innovation District Site that are prioritized for potential launch in the near-term, one or more of which may utilize portions of the Innovation District Properties, and that (b) PRF has certain obligations to Browning to make arrangements for necessary infrastructure improvements within the Innovation District Site, the cost of which will be covered by future cash flows accruing to PRF from property development within the area;

WHEREAS, PRF and the University now desire to set forth their mutual understanding with regard to their further cooperation, coordination and collaboration on these matters:

NOW, THEREFORE, in consideration of the premises and the mutual undertakings set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PRF and the University agree as follows:

1. *Parcel Exchanges*. As permitted by law, and consistent with past practice, the University and PRF will consummate the following two parcel exchanges, pursuant to which the University will, in consideration for its acquisition of the Desired Properties identified in each case, exchange and transfer to PRF the associated Innovation District Properties:

(a) *Aerospace Parcel Exchange*: PRF will exchange the Desired Property depicted in Exhibit B-1 hereto for the Innovation District Properties depicted in Exhibit B-2.
**Purdue Village Parcel Exchange:** PRF will exchange the Desired Properties depicted in Exhibit C-1 hereto for the Innovation District Properties depicted in Exhibit C-2 hereto, it being recognized that this exchange involves, among other parcels, the Revenue-Producing Properties as more particularly described in Section 2 below.

Each of the foregoing parcel exchanges will be subject to resolutions duly adopted by the Board of Trustees of the University and the Board of Directors of PRF making a finding and determination, in each case, that the appraised value of the Desired Properties and the appraised value of the Innovation District Properties in each exchange transaction are of relatively equal amount.

2. **Cross-Leases.** Consistent with past practice with respect to lease arrangements historically entered into between them for properties that are mutually beneficial in advancing their respective missions:

(a) The University and PRF will enter into the following lease agreements for the Revenue-Producing Properties:

(i) **Lease 1:** the University will lease to PRF the Desired Properties shaded in blue in Exhibit D-1; and

(ii) **Lease 2:** PRF will lease to the University the Innovation District Properties shaded in green in Exhibit D-2 (hereinafter referred to as the “Purdue Village Properties,” and, as a distinct geographic area, “Purdue Village”).

(b) Each lease for the Revenue-Producing Properties:

(i) will provide for an annual rental payment of $1.00 and be in a form customarily used for similar leasehold arrangements entered into between PRF and the University from time to time;

(ii) will, in addition to affording the lessee the use and quiet enjoyment of the Revenue-Producing Properties for the purpose of continuing operations currently conducted thereon, provide that the lessee will have, as to any particular parcel or parcels: (A) the responsibility for collecting all rents and other revenues from the operations on such parcel(s), (B) the obligation to pay all costs and expenses associated with such operations, and (C) the right to retain net proceeds after deducting such costs and expenses from such revenues, in each case until the occurrence of a “Takedown Date” with respect to such parcel or parcels. A Takedown Date will generally be defined in each lease to include, (1) as to any parcel not occupied by student housing, the expiration of a 180-day period, and (2) as to any parcel occupied by student housing, the expiration of a 540-
day period, in each case after the lessor has given notice to the lessee of its need for the parcel to complete a specified development project;

(iii) will provide that, during such notice period, the lessor and the lessee will communicate, coordinate and collaborate to effect the orderly wind-down of the operations on the subject parcel (including but not limited to the orderly termination of any third party sublease arrangements with respect thereto); and

(iv) will provide for an automatic modification of the leased premises description (i.e., without the need for an amendment to the lease) to give effect to the removal of a parcel from the leasehold interest upon the occurrence of a Takedown Date as to such parcel.

3. **State Street Project Indirect Cost Reimbursement.** With respect to Project Indirect Costs incurred by PRF in connection with the State Street Project, the University will serve as PRF’s agent in recovering such costs from Excess TIF 2 Revenue (as defined and set forth in the PDA) and remit them to PRF promptly upon receipt.

4. **Segregated Accounting for Innovation District and Purdue Village.** In recognition of PRF’s support mission and the materiality of the Innovation District in terms of its anticipated transformational significance and the level of PRF’s effort with respect to it, PRF will, in its internal accounting function, segregate the results of operations and statements of financial condition of the Innovation District development, such that the Overall Innovation District Net Proceeds (as defined below) are separately tracked and accounted for on the books and records of PRF. Upon the request of the treasurer and chief financial officer of the University, PRF will provide a report to the University setting forth in reasonable detail the Overall Innovation District Net Proceeds for the relevant accounting period(s) requested.

For purposes of this MOU, the capitalized terms referred to parenthetically above or used in the definitions below have the following respective meanings:

“Overall Innovation District Net Proceeds” means the ground rents earned on all properties leased by PRF within the Innovation District, less the overall Infrastructure Costs and overall Entitlement Costs.

“Infrastructure Costs” means the out-of-pocket hard costs incurred by PRF as a result of preparing, equipping, supplying, constructing and financing the necessary infrastructure improvements within the Innovation District Site as required under PRF’s agreement with Browning as master developer.

“Entitlement Costs” means the out-of-pocket soft costs incurred by PRF in the process of obtaining all necessary permits and approvals for the development of properties within the Innovation District for their particular uses.
5. **Coordination Team and Advisors.**

(a) *Coordination Team.* The parties will maintain their existing joint management team consisting of representatives designated by each party for the purpose of communicating, coordinating and collaborating on the activities described in this MOU and other matters related to the Innovation District development. Should any disagreements arise between representatives of PRF and representatives of the University, the matter will be submitted to PRF’s chief operating officer and the University’s treasurer and chief financial officer for resolution.

(b) *Advisors.* Each party will be free to seek, obtain and consult with its own advisors in connection with the matters described in this MOU. The coordination team may, upon the request of either party, include a party’s own advisors in deliberations over material decisions about the matters described in this MOU. Given the substantial alignment of their interests, the parties may be jointly represented by legal counsel on these matters.

6. **Additional Agreements.** This MOU is intended to describe the undertakings of the parties related to the matters described herein and to set forth a framework for communication, coordination and collaboration with respect to them, including but not limited to matters arising under PRF’s agreement with Browning as master developer. The parties will collaborate on seeking the necessary board approvals and negotiate and finalize the necessary documentation to evidence the parcel exchanges and the leases described herein. The parties acknowledge and agree that, consistent with PRF’s agreement with Browning, the Board of Trustees of the University will have the opportunity to review and approve the coordinated master plan for the Innovation District upon its completion.

7. **Governing Law.** This MOU will be construed in accordance with the laws of the State of Indiana and will be considered supplemental to the Services Agreement between the parties dated as of January 1, 2014, as it may be amended from time to time. Any disputes arising hereunder will be resolved in the manner provided for in such Services Agreement.

[signature page follows]
IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement as of the date first written above.

PURDUE RESEARCH FOUNDATION

By: _________________________________
Its: _________________________________

THE TRUSTEES OF PURDUE UNIVERSITY

By: _________________________________
Its: _________________________________