

Revised January 18, 2007

Board Meeting
January 18, 2007

ROLL CALL

LEASE OF SPACE FOR SCHOOL OF SOCIAL WORK
AND CAMPUS SURGE NEEDS, URBANA

Action: Authorize the Lease of Space Located at ECCC Phase II (Gregory Place) for School of Social Work, Urbana

Funding: Institutional Funds Operating Budget

The Chancellor at Urbana, subject to the availability of funds and satisfactory resolution of final lease terms, recommends that the University lease approximately 37,200 rentable square feet (rsf) for office and classroom space at the East Campus Commercial Center Phase II (ECCC Phase II), also known as Gregory Place, 700 South Gregory Street, Urbana. ECCC is a two-phase mixed use development with Phase II consisting of first floor retail, second floor academic space for the University, and residential units on floors three through five. ECCC Phase II construction will commence upon execution of a ground lease with the University, anticipated to be February 1, 2007.

The subject space lease consists of all of the second floor and an exclusive first floor lobby and elevator fronting on Nevada Street with the address 1010 West Nevada Street. The lease term is for the period July 1, 2008, through June 30, 2018,

subject to a termination option after five years. The landlord is Gregory Place II, LLC. The leased space would accommodate the consolidation of the School of Social Work into one location from three converted houses located between Mathews and Goodwin Avenues that will be demolished to provide interim surface parking and future building sites. Additionally, approximately 3,000 square feet of the second floor of this building will serve as surge space for offices for various academic programs.

The location requirements of the School of Social Work necessitate a core campus location, thus pursuant to the Illinois Procurement Code an exemption for specialized space available at only one location is compliant with said Code. Further, given the clustering of relevant Urbana campus liberal arts and sciences units in the area, the Nevada Street corridor is an ideal location. The terms and conditions of the lease include:

1. The landlord/developer will construct the building on University land under terms of the ground lease. The second floor leased space will be constructed to a shell condition consisting of completion of exterior walls (ready for electrical and drywall), installed windows, concrete floors, use separation fire protection spray, steam, and chilled water stubbed to space, sprinkler system (one head per 150 sf), plumbing stubbed to space (sanitary lines, vents, and water supply), and electrical stubbed to space (main breaker at first floor mechanical room, with empty conduit run to second floor for power, voice, data, and video service). First floor lobby space will include drywall (paint ready) and dedicated elevator (2,500 pound capacity) and shaft wall assembly ready for paint.
2. Annual base rent for shelled space is ~~\$334,800~~ \$384,800 (net) fixed for five years or \$9.00 per rentable square foot, with Consumers Price Index adjustment beginning of year six; rate is then fixed for remaining years seven through ten of the initial lease term. Lease will have two- through

five-year option periods. University will pay proportionate share of taxes and common area operating expenses (estimated at an additional \$3.00 per rsf).

3. Campus will procure construction services in compliance with appropriate procurement requirements to finish the leased space. The preliminary cost estimates are roughly \$60.50 per square foot (\$2,250,000). Assuming those costs were amortized over the 10-year lease term at six percent interest, the annual costs would amount to roughly \$8.25 per square foot. The combined \$9.00 base rent, \$3.00 common area share, and \$8.25 per rsf would result in a gross rent equivalent of \$20.25 per rsf, consistent with the market for office space of this quality and in this core campus location.
4. University will be responsible for its janitorial and all utility cost, along with relocation, furniture, networking, and telecom costs.

Funds for future fiscal years will be included in the institutional funds operating budget requests to be submitted to the Board of Trustees.

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 for Administration concurs.

The President of the University recommends approval.