

Board Meeting
June 9, 2011

ROLL CALL

APPROVE LEASE OF SPACE FOR CANCER RESEARCH, URBANA

Action: Approve Lease of Space for Cancer Research

Funding: Gift and Grant Funds

The Interim Vice President, University of Illinois, and Interim Chancellor, University of Illinois at Urbana-Champaign recommends, subject to the availability of funds and the resolution of final lease terms satisfactory to the University, that the Comptroller be authorized to execute a lease of approximately 17,152 square feet of office space on the third floor of the building located at 509 West University Avenue, Urbana, Illinois, for the period of five years, July 1, 2011, through June 30, 2016, with one option to extend for five years. The landlord is The Carle Foundation. The leased space would accommodate cancer research managed through the Vice Chancellor for Research. The proposed lease space is more than 10,000 square feet and the annual rent is more than \$100,000, consequently, the lease necessitated the publication of a Request for Information (RFI) and review of market opportunities pursuant to the Illinois Procurement Code. A RFI was published on July 22, 2010. Only one entity responded to the RFI. A selection committee evaluated the only response. The proposed location at

509 West University Avenue, Urbana, Illinois, represents the most suitable space that meets the RFI requirements.

The term of the proposed lease is five years, with an option to renew for an additional five-year period. The University will have the option to terminate the lease at any time after the first year of the Lease Term with six months written notice. The annual base rental cost for the first two years of the lease term is \$00.00/sf. The annual rental rate will gradually increase as follows: third year - \$15.33/sf, fourth year - \$23.00/sf and fifth year- \$34.50/sf. The rental rate will stabilize at \$45.00/sf or \$788,833.36 per year during the option period. The lease rate is full service and includes utilities, rubbish removal, common area maintenance, free parking, and insurance costs. The University will be responsible for its own telephone and internet charges.

The Mills family donated monies to Carle Foundation Hospital of Urbana to establish a cancer research facility which was built on Carle Hospital grounds in 2009. The Board of Trustees of the University of Illinois and Carle Foundation Hospital entered into a "Research Affiliation Agreement" on January 15, 2010. The goal of the affiliation is to utilize the respective research strengths of the University and Carle Hospital. The Mills family donation has allowed the University to occupy the research space rent free during the current lease term and will continue to pay the rent during the first two years of the proposed lease term. The University is actively applying for grants that will pay for the gradual rent increases during the third, fourth, and fifth years of the lease term. The University's long term goal is to acquire sufficient grant monies to pay the full agreed-to

rental rate (\$45/sf Absolute Gross) during the five year option period. The proposed lease includes a termination clause that allows the University to terminate the lease after the first year of the lease term with six months written notice. The University may need to utilize the termination clause if research grant monies to cover the rent are not realized.

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 recommends approval.