

Board Meeting
July 30, 2007

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ROLL CALL

APPROVE LEASE OF SPACE FOR MILE SQUARE HEALTH CENTER,
4630 SOUTH BISHOP, CHICAGO

Action: Approve Lease of Space located at 4630 South Bishop, Chicago, Illinois

Funding: Institutional Funds Operating Budget

The Chancellor at Chicago recommends the lease of 6,000 square feet of office space on the first floor of a retail shopping center located at 4630 South Bishop, Chicago, Illinois, for the period of June 1, 2008, through May 31, 2018. The landlord is Matanky Realty Group, Inc. The leased space would accommodate a satellite clinic for Mile Square Health Center (MSHC).

This would be the second satellite clinic established by MSHC. The initial satellite has been successfully operating at 7131 South Jeffrey Boulevard since October 2005. Satellite clinics are targeted at areas meeting the requirements for a Federally Qualified Health Center (FQHC) in which MSHC sees opportunities to augment its patient base and fulfill its mission in providing healthcare to underserved populations.

The required space program is less than 10,000 square feet and did not necessitate the publication of a Request for Information (RFI) pursuant to the Illinois Procurement Code. However, to satisfy due diligence concerns, a market survey was

conducted to compare alternative locations for this practice and assist in negotiations.

Nine alternate sites were evaluated in comparison with the Bishop location.

Criteria used to evaluate potential locations included the following:

- a. location within the FQHC boundaries prescribed for MSHC's license to operate;
- b. contiguity of space;
- c. first floor location in heavily trafficked area;
- d. availability of public transportation and adequate parking;
- e. total operating costs (base rental, common area costs and parking costs, if any); and,
- f. condition of space and financial requirements to remodel for use.

There were only two locations available within the boundaries prescribed for the FQHC. Initial negotiations were conducted with both landlords, but one dropped out of contention due to complications arising from a lien upon the property in question.

For the proposed lease, the starting net rental rate is \$14.00 psf, escalating at three percent starting in year three, for a ten-year term. This is at the low end compared to other market alternatives, which range from \$6.50 to \$45.00 psf for annual base rent. Common area charges are estimated at approximately \$6.25 psf, resulting in a starting annual gross rental rate of \$20.25 for the leased premises. There is an option to extend for an additional ten-year term at an annual escalation of three percent.

To summarize, the proposed lease rates are as follows:

Starting Base Rental Rate	\$14.00 psf
Estimated tax and operating	<u>\$ 6.25 psf</u>
Total Year One Gross Rental Rate	\$20.25 psf

The build-out of the clinic is estimated to be approximately \$100.00 to \$110.00 psf, of which the landlord would contribute \$10.00 psf. The University is responsible for the remainder of the cost of the build-out.

The annual first year base rent would equal \$84,000. Base rent escalates at ~~1.5 percent annually on the lease anniversary date~~ three percent annually beginning in the third year. The tenant's first year tax and operating costs are estimated at \$37,500, and include rubbish removal, common area maintenance, heating and cooling during normal business hours, insurance, and taxes. MSHC will also be responsible for its own electrical and telephone charges.

It is proposed to lease the space at 4630 South Bishop, as it is an excellent location, at a fair market cost, and meets all of the minimum requirements of the tenant. The term of the proposed lease is ten years, with options to renew.

Funds for the current fiscal year are available from the institutional funds operating budget of the University of Illinois Medical Center. 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/Chief Financial Officer and Comptroller concurs.

The President of the University recommends approval.