

Board Meeting
July 30, 2007

ROLL CALL

APPROVE LEASE OF SPACE FOR DIVISION OF SPECIALIZED CARE FOR
CHILDREN, 3135 OLD JACKSONVILLE ROAD, SPRINGFIELD, ILLINOIS,
CHICAGO

Action: Approve Lease of Space located at 3135 Old Jacksonville Road,
Springfield, Illinois, Chicago

Funding: Institutional Funds Operating Budget

The Chancellor at Chicago recommends the lease of 22,121 square feet of office space in the Westgate Office Center located at 3135 Old Jacksonville Road, Springfield, Illinois, for the period of April 1, 2008, through March 31, 2018. The landlord is Hope Venture II, LLC. The leased space would accommodate the headquarters office of the Division of Specialized Care for Children (DSCC). DSCC has been housed in a building owned by Teachers' Retirement System (TRS) since the mid-1980s, but TRS provided notice that it would not be renewing the lease at its expiration because it needed the space for its own operations.

The required space program exceeds 10,000 square feet and therefore necessitated the publication of a Request for Information (RFI) pursuant to the Illinois Procurement Code. Notices were published in both the Illinois Procurement Bulletin and the local Springfield publications. In addition, letters were forwarded to building owners

and brokers having inventory in the general vicinity in which space is desired. There were three responders to the RFI.

Primary factors in analyzing the lease proposals were:

- a. contiguity of space to minimize duplication of services areas and maximize efficiency of workgroups and supervisions;
- b. accessibility to parking;
- c. traffic considerations for client access and commuting;
- d. lease rates;
- e. condition of space and financial requirements to remodel for use; and,
- f. reputation and experience of landlord in operations and maintenance of commercial properties.

Because of the low number of responses received to the RFI, a survey was also conducted to test the fair market value of the lease terms for negotiation. The survey included recently leased and currently available spaces of similar size. The 16 comparables included the following:

- Nine did not meet minimum requirements; average \$19.30 per gross square foot (pgsf)
- Four were no longer available; average \$23.40 pgsf
- Three met minimum requirements; average \$23.92 pgsf

Two of the three locations surveyed that met minimum requirements were also respondents to the RFI.

For the proposed lease, the starting net rental rate is \$15.25 per square foot (psf), escalating at 1.5 percent annually over a ten-year term. DSCC will also be responsible for operating costs for the premises, estimated at \$110,605 (\$5.00 psf) for

year one; this includes rubbish removal, common area maintenance, heating and cooling during normal business hours, insurance, and taxes.

Rather than include the cost of tenant improvements in the rent (and therefore subject them to escalation), DSCC has chosen to pay these costs at in full lease commencement. These costs are guaranteed not to exceed \$635,526.63 (\$28.73 psf), with a provision for DSCC to capture any savings. This results in an annual savings of \$2.87 in the base rent.

To recap, the proposed lease rates are as follows:

Starting Base Rental Rate	\$15.25 psf	\$337,345.25
Estimated operating costs	<u>\$ 5.00 psf</u>	<u>110,605.00</u>
Total Year One Rental Rate	\$20.25 psf	\$447,950.25

Additional Rent for Tenant Buildout	\$2.87 psf	\$635,526.63
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Therefore, the gross psf rent equivalent for the proposed lease for comparability to the other locations studied is \$23.12. DSCC will also be responsible for its own electrical and telephone charges.

It is proposed to relocate DSCC to 3135 Old Jacksonville Road, as it is the best 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. As required by the Procurement Code, the lease will include a right (but not an obligation) to purchase the property, as this is a single occupancy building.

Funds for the current fiscal year are available from the institutional funds operating budget of the Division of Specialized Care for Children. 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.