Approved by the Board of Trustees

March 28, 2024

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Board Meeting

March 28, 2024

ROLL CALL

DELEGATE AUTHORITY TO COMPTROLLER TO APPROVE LEASE AMENDMENT FOR SPACE AT 111 EAST GREEN STREET,

CHAMPAIGN, ILLINOIS

**Action:** Delegate Authority to the Comptroller to Approve a Lease Amendment for 111 East Green Street, Champaign, Illinois to Relocate the Lease to a New Building at 309 South First Street Champaign, Illinois and Extend the Term of the Lease Five Years Beyond the Initial Ten-year Term

**Funding:** Institutional Funds

 The chancellor, University of Illinois Urbana-Champaign, and the vice president, University of Illinois System, in consultation with appropriate administrative officers, recommends that the vice president/chief financial officer and comptroller be authorized to execute a lease amendment, subject to satisfactory resolution of final contract terms, to amend the lease at 111 East Green Street, Champaign, Illinois to extend the term of the lease five years and permit the relocation of the premises to 309 South First Street, Champaign, Illinois.

 In 2020, the Board of Trustees approved a ten-year lease at 111 East Green Street after an Request For Information award. University Accounting and Financial Reporting (UAFR) had occupied that entire building since 2000. In early 2023, UAFR made the strategic decision to vacate its current premises and reduce office space due to a growing number of staff transitioning to a hybrid work model. To optimize costs, UAFR identified a more budget-friendly lease space that adequately met the requirements. Recognizing the favorable terms of the lease for the 111 East Green Street location, the UIUC provost opted to retain it. Subsequently, the decision was made for Illinois Human Resources (IHR) to occupy the building, contingent on completing necessary renovations to align the space with their operational needs.

 In August 2023, the University of Illinois Urbana-Champaign assumed control of the space and lease payments. However, before the planned renovations for IHR, the building changed ownership. The new owner group has plans to redevelop the site at 111 E. Green Street. Their proposal offered the university a relocation solution: constructing a new building at 309 S. First Street, Champaign. This new facility would include a purpose-built office suite for IHR, all within the favorable existing lease terms initially associated with 111 E. Green Street.

 The Office of the Provost has searched for a space solution for IHR for several years, as IHR currently occupies space in the Personnel Services Building, which has been on the demolition list for some time. They also occupy space in the Illini Union Bookstore building. The current landlord of 111 East Green Street has indicated that it will not be an option for UIUC to continue leasing 111 E. Green Street beyond the current lease expiration. Large lease space is challenging to find and may involve significant building out expenses at another location. The proposed new building, located three blocks north of the current lease location, could provide at least five additional years and could be the long-term space solution needed for IHR.

 The current rent at 111 East Green Street, Champaign, is $10.00/square foot, which is very low compared to the market. The rent increases in 2026 to $11.00/square foot. The current leased building is 27,280 square feet divided between the ground floor, a mezzanine level, and a basement. The proposed newly constructed building would include a 25,000 square foot ground-level IHR suite, giving UIUC higher quality and more efficient space than 111 East Green Street offers.

 IHR will partly occupy 111 East Green Street, Champaign, until they can move into the newly constructed building in September 2025. In exchange for relocating, the landlord agrees to honor the current lease rate when relocated to the new building through the current lease term ending March 31, 2031, and to extend the term of the lease five years through March 31, 2036, with fixed rent of $14.00/square foot, a lease rate that is well below market value. The lease amendment to relocate and extend the lease term can be terminated if the developers do not provide acceptable design plans by July 15, 2024, or have the foundation for the new building poured by November 30, 2024. The university may receive rent abatement if the developers do not substantially complete the building by August 31, 2025. The chief procurement officer for higher education has approved the proposed lease amendment.

 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 of Illinois System recommends approval.