Approved by the Board of Trustees

March 30, 2023

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Board Meeting

March 30, 2023

ROLL CALL

## DETERMINATION OF SURPLUS REAL ESTATE AND DELEGATION OF AUTHORITY TO COMPTROLLER TO SELL SURPLUS REAL ESTATE,

## ROCKFORD, ILLINOIS

**Action:** Determination of Surplus Real Estate and Delegation of Authority to Comptroller to Sell Surplus Real Estate, Rockford, Illinois

**Funding:** No New Funding is Required

The Interim Chancellor, University of Illinois Chicago, and Vice President, University of Illinois System, recommends that the real property located at 2780 McFarland Road, Rockford, Illinois, be deemed “surplus real estate” by the Board of Trustees pursuant to Public Act 101-0213. It is further recommended that the comptroller be authorized to consummate the sale or lease of subject real property, contingent on soliciting and receiving a bona fide purchase offer for value and the satisfactory resolution of final sale terms, including price, that are in the best interests of the University and consistent with the University’s objectives and purposes.

Public Act 101-0213 amended the State Property Control Act (30 ILCS 605/1 et seq.) to allow the Board of Trustees of any Illinois public institution of higher education, including the University of Illinois, to sell, lease, or otherwise transfer or convey to a bona fide purchaser for value all or a part of real estate deemed by the Board to be surplus real estate. The Act permits the University to retain the proceeds from such transactions. Such proceeds must be maintained in a separate account in the University’s Treasury for deferred maintenance and emergency repair of University property.

The site, which is the subject of this determination, housed a medical clinic initially built in 1996 to further the mission of the UI College of Medicine Rockford (UICOMR). Over time, UICOMR’s need for clinical space at this site has diminished. The Rockford area has experienced a decline in demand for medical clinic space, resulting in regional medical partners reducing their footprints and closing clinics. UICOMR has solicited other regional medical providers to attempt to re-lease the subject clinic building without success. Recent leasing inquiries by potential tenants have failed to produce consummated leases, as the building would require a significant and costly overhaul to suit tenant needs. Additionally, attempts to find suitable internal University units to occupy the subject clinic building have also been unsuccessful. Thus, the Interim Chancellor, University of Illinois Chicago, and Vice President, University of Illinois System, requests that the subject property be deemed surplus property.

The subject property includes a 9,685-square-foot, single-story medical clinic with 66 parking spaces on a 2.19-acre site serviced with city water and sewer and an adjacent 1.50-acre undeveloped parcel. Built in 1996 as a women’s and children’s clinic, the original need for the building was for UICOMR students to receive clinical experience within the clinic operations. However, the lack of patient volume and the inability to meet operational expenses necessitated closing this clinic, and the building was leased to Mercyhealth in June 2015. Mercyhealth terminated the lease in June 2021, and the building has been vacant since then. Annual maintenance expenses for this vacant property are approximately $30,000 plus approximately $300,000 of outstanding bond debt principal remaining, with debt service payments scheduled through June 2029. The expected sale price, based on appraisals, will be more than enough to satisfy the existing debt. The property is outside the UIC master planning area, has no current or future use, and is a maintenance liability.

Upon the Board of Trustees deeming the above subject property surplus real estate, the System will undertake a sale process, including obtaining an updated appraisal of fair market value and an open and fully transparent solicitation process for purchasers. It is requested that the comptroller, provided that sale proceeds shall be sufficient to provide for the repayment of the existing debt in its entirety, be delegated the authority to conduct the sale process, execute and deliver the required documents to consummate the transaction, and after repayment of the existing debt in its entirety, to deposit the sale proceeds in a separate account for deferred maintenance and emergency repair of University property, all in accordance with Public Act 101-0213.

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 President of the University of Illinois System concurs with this recommendation.