

Board Meeting
May 22, 2008

ROLL CALL

LEASE OF SPACE FOR DIVISION OF SPECIALIZED CARE FOR CHILDREN,
LOMBARD, ILLINOIS

Action: Authorize Lease of Space for Division of Specialized Care for Children,
500 Waters Edge, Lombard, Illinois

Funding: Institutional Funds Operating Budget

The Interim Chancellor at Chicago recommends that the University lease 6,255 square feet of office space in the Oak Creek Center located at 500 Waters Edge, Lombard, Illinois, for the period August 1, 2008, through July 31, 2013. The landlord is SMII Oak Creek/LP, L/P. The leased space would accommodate a regional office of the Division of Specialized Care for Children (DSCC). DSCC had previously been housed in an office building located in Darien since the early 1990s; it has outgrown its existing space (4,200 square feet) and needed to expand to approximately 6,000 square feet.

The required space program does not necessitate the publication of a Request for Information (RFI) pursuant to the Illinois Procurement Code. However, a space search conducted via letters was forwarded to building owners and brokers having inventory in the general vicinity in which space is desired, including the landlord of the

existing space in Darien in order to test the fair market value of the lease terms for negotiation. There were three responders to the search. The Darien landlord declined to respond because it did not have sufficient space to accommodate DSCC's expanded needs.

Primary factors in analyzing the lease proposals were:

1. sufficiency of space to maximize efficiency of workgroups;
2. accessibility to parking;
3. traffic considerations for client access and commuting;
4. lease rates;
5. condition of space and financial requirements to remodel for use; and,
6. reputation and experience of landlord in operations and maintenance of commercial properties.

The locations surveyed met minimum requirements, but after viewing the spaces and analyzing their economics, it was determined that the location at 500 Waters Edge was the superior location.

For the proposed lease, the starting net rental rate is \$17.00 per square foot, escalating at \$.50 per square foot annually over a five-year term. DSCC will also be responsible for operating costs for the premises. The 2008 projected estimates for tax and operating costs are estimated at \$7.32 per square foot; this includes rubbish removal, common area maintenance, heating and cooling during normal business hours, insurance,

and taxes. The landlord is providing a construction allowance of \$33.00 per square foot (\$206,415) towards the cost of tenant improvements. Should the tenant improvements cost less than that amount, the landlord will allow DSCC to credit up to \$31,725 towards its base rent during the first four months of the lease term.

To recap, the proposed lease rates are as follows:

Starting Base Rental Rate	\$17.00 PSF	\$106,335.00
Estimated operating costs	\$ 7.32 PSF	<u>45,786.60</u>
Total Year One Rental Rate	\$24.32 PSF	\$152,121.60

Additional Rent for Tenant Buildout NONE

The gross PSF rent equivalent for the proposed lease for comparability to the two other responding locations was \$30.06 and \$30.35 per square foot. DSCC will also be responsible for its own electrical and telephone charges.

It is proposed to relocate DSCC to 500 Waters Edge, Lombard, 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 five years, with options to renew.

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.