Approved by the Board of Trustees

November 14, 2024

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Board Meeting

November 14, 2024

ROLL CALL

# DELEGATE AUTHORITY TO THE COMPTROLLER TO APPROVE LEASE EXTENSION FOR ILLINI CENTER IN CHICAGO FOR THE UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN AND SYSTEM

**Action:** Delegate Authority to the Comptroller to Approve Lease Extension for Illini Center in Chicago for the University of Illinois Urbana-Champaign and System

**Funding:** Institutional Funds Operating Budget

The chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System, with the concurrence of the appropriate administrative officers, recommends that the comptroller of University of Illinois System be authorized to execute a lease amendment agreement to extend the term of the Illini Center lease for 44,682 square feet of office and classroom space on the fourth and nineteenth floors at 200 S. Wacker Dr., Chicago. The University has leased space at this location since December 1997. In 2015, the Board of Trustees approved the current lease after a Request for Information (RFI) award. Ten years was the maximum allowable term at the time, including renewal options, and the lease will expire on June 30, 2025.

In 2022, the Illinois Legislature approved an amendment to ILCS 500/40-25, Length of Leases. Section a-5 now states that leases for Illinois public institutions of higher education may exceed ten years when the leases required capital improvements more than $100,000, and the board of trustees of the institution determines that a term of more than ten years is in the best interest of the institution. In this case, the three-year, seven-month extension is possible at the present location without doing another search and potentially moving, as was required prior to the legislative amendment.

When the RFI was awarded for the Illini Center space in 2015, the primary landlord, John Hancock Manulife Financial Corporation offered a tenant improvement allowance of $1,227,290 that was used, and, in addition, the university paid $975,000 to renovate the fourth and nineteenth floors. The total cost of fourth and nineteenth floor renovations was $2,202,290.

Currently, the collective units occupying the space wish to extend the lease for three years, seven months through the end of January 2029, and the landlord is in agreement. The proposed lease rate for base rent would be $26.50 per square foot for the fourth floor and $29 per square foot for the nineteenth floor in the first year of the extended term. Annual rent increases would be 2.5 percent, which is below the current Consumer Price Index of 3.2 percent. The landlord has agreed to abate gross rent for the first four months of the extended term in the amount of $775.903. The landlord also agreed to abate rent beginning in month five in lieu of a tenant improvement allowance in the amount of $1,340,460. No tenant improvements are needed at this time, so there are no additional improvement expenses for the lease extension. The entire base rent cost for the three-year, seven-month extension, including the $2,116,363 rent abatement would be $2,478,800. As tenant, the university would continue to pay the pro rata share of operating expenses as with the current lease. Annual escalation of real estate taxes and operating expenses is projected to be 3 percent.

Remaining at the current location is in the best interest of the University of Illinois Urbana-Champaign and the State of Illinois. Because a substantial investment has been made in this facility, it is prudent to continue using the space. The current location will allow the units and students to continue to easily access their programs, avoid the disruption of relocation, and avoid the expense of building out an alternate space.

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.

Funds for this lease are available from the institutional funds operating budget.

The president of the University of Illinois System concurs.