Approved by the Board of Trustees

November 18, 2021

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Board Meeting

November 18, 2021

ROLL CALL

## DELEGATE AUTHORITY TO INTERIM COMPTROLLER TO APPROVE LEASE OF WAREHOUSE SPACE ON BEHALF OF UI HOSPITAL AND CLINICS AT

## 2059 WEST HASTINGS STREET, CHICAGO, ILLINOIS

**Action:** Delegate Authority to Interim Comptroller to Approve Lease of Warehouse

Space on Behalf of UI Hospital and Clinics at 2059 West Hastings Street,

Chicago, Illinois

**Funding:** UI Hospital Self-Supporting Funds

The Chancellor, University of Illinois Chicago, and Vice President, University of Illinois System, the UIC Vice Chancellor for Health Affairs, and UI Hospital CEO, in consultation with appropriate administrative officers, recommend that the Interim Comptroller be authorized to execute a lease, subject to satisfactory resolution of final contract terms, for approximately 31,000 square feet of temperature-controlled warehouse space at 2059 West Hastings Street, Chicago. The landlord is 2059 West Hastings LLC. The proposed lease term is ten years beginning February 1, 2022, and has a termination option in favor of the University after five years.

The UI Hospital and Clinics need warehouse space near the campus for storage of medical and other supplies as well as equipment staging for expansion/remodeling projects. The post-pandemic supply chain is unreliable and can no longer provide a just-in-time approach for deliveries. UI Hospital and Clinics must implement new logistic strategies that involve the inclusion of multiple distributors and a much larger inventory on hand, thus requiring a larger and highly functional warehouse. The Hospital uses approximately 12,000 square feet of basement storage in UIC’s Disability, Health, and Social Policy building, which is no longer satisfactory. A review of possible alternative on-campus space was performed, and no acceptable storage space was identified. The proposed leased space is less than one mile away from the Hospital.

The proposed cost of the lease and improvements is more than $100,000 per year and required the issuance of a Request for Information (RFI) pursuant to the Illinois Procurement Code. There were three responses, with 2059 West Hastings LLC being the recommended choice based on the significantly lower cost of occupancy, proximity to the Hospital, and minimal need for tenant improvement construction.

The first-year base rent is $9.00 per square foot (psf), with an annual escalation of 2.5 percent, plus $5.33 psf for operating expenses and taxes with an annual escalation of 2.4 percent. Total rent in year one is $444,259, and the total lease cost over the 10-year term is $4,968,727. Rent cost includes maintenance and repairs of the building and mechanical systems, property management fee, real estate taxes, and building insurance.

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 concurs.