

Board Meeting
November 9, 2006

ROLL CALL

LEASE OF SPACE FOR UNIVERSITY OF ILLINOIS EXTENSION,
NAPERVILLE, ILLINOIS, URBANA

Action: Authorize the Lease of Space Located at 1100 East Warrenville Road

Funding: BIS Coalition Cost Recovery Funds, Federal (Smith-Lever) Extension Funds, and FY 07 State Appropriations to Extension in the College of Agricultural, Consumer and Environmental Sciences, Urbana

The Chancellor at Urbana, subject to the availability of funds and satisfactory resolution of final lease terms, recommends that the University lease approximately 21,482 square feet of office and training space on the first floor of the Naperville Woods Office Center located at 1100 East Warrenville Road, Naperville, Illinois, for the period April 1, 2007, through March 31, 2017, subject to a termination option after five years. The landlord is CMJ/Warrenville, LLC which is a joint venture controlled by Cargill Value Investment and M&J Wilkow Ltd. The leased space would accommodate the University of Illinois Extension's newly acquired Business and Industry Services (BIS Coalition) in space one consisting of approximately 13,251 square feet and Extension programs in space two consisting of approximately 8,231 square feet. It is anticipated the space program requirements will include: approximately 25 staff offices, ten flexible training and testing areas, one break-out area, two conference rooms,

and various other support areas such as reception, workrooms, storage, network server, and student/staff break areas.

The required space exceeds 10,000 square feet and therefore necessitated the publication of a Request for Information (RFI) pursuant to the Illinois Procurement Code. Notices were published in both the Illinois Procurement Bulletin and Daily Herald. In addition, letters were forwarded to building owners and brokers having inventory in the general vicinity in which space is desired. There were eight respondents to the RFI, submitting eight potential locations. The pertinent facts of the RFI responses are summarized as follows:

1. The programmatic requirements necessitate the location have a significantly visible presence and easy access in close proximity to the I-88 East/West Corridor in DuPage County. Only five of the eight spaces met the requirement of proximity to the I-88 Corridor. The other three spaces were eliminated from consideration, although their rental rates were used as comparables. The proposed space is a portion of a 31-acre, two-building redevelopment of a significant office campus totaling approximately 500,000 square feet that is ideally located and adjacent to a four-way interchange with I-88 offering prominent University signage and visibility. Further, tenant oriented restaurant, fitness center, and conference facilities will be conveniently located within the substantial suburban office campus setting making the proposed location unique to the other locations.
2. All five of the qualifying spaces would require extensive space demo and re-fit to suit the intended use. The landlords' proposed tenant improvement allowances ranged from \$30/psf to \$42.50/psf with the subject property at \$42.50/psf.
3. The starting rental rate for the subject proposed space is \$14.00 net/psf in base rent (\$300,748 rounded) plus tenant's proportionate share of tax and operating costs for the building, proposed/estimated at \$7.00/psf first year

(\$150,374). In effect, the gross rental rate is proposed at \$21.00/psf (\$451,122 rounded), subject to a 12-month gross rent abatement (\$451,122). The first year gross rental rates for the other four alternatives averaged \$21.74/psf, with a low of \$19.00/psf (nine months gross rent abatement and \$40.00/psf tenant improvement allowance) and a high of \$23.89/psf (four months rent abatement and \$30.00/psf tenant improvement allowance).

4. Tenant allowances of \$30.00/psf to \$42.50/psf were provided in the submittals. Preliminary estimates indicate \$42.50/psf will be sufficient to cover estimated costs to configure the space for the intended use. Additional HVAC costs for the after-hours use was proposed in the initial submittals and ranged from \$0 (included in rent) to \$3.22/sf. The subject lease includes the cost of after-hours HVAC usage in the \$14.00 net base rent at no additional charge resulting in substantial annual savings.
5. Relocating the program(s) to another location would require new data networking and telecommunications systems, plus moving expenses and in the case of BIS new furniture. Extension would need to bear these additional costs.

The term of the proposed lease is ten years, subject to a five-year termination-option and an option to renew for two additional five-year periods. Provision for potential future space expansion driven by expanding programmatic needs will be in the form of lease options or right-of-first refusals for space expansion of 7,500 up to 8,200 square feet. Annual base rental costs would start at \$14.00 net/psf, escalating \$.50/psf annually on lease anniversary of each year. Tenant's proportionate share of tax and operating costs for the building is estimated at \$7.00/psf first year. The annual first year gross rent is equal to \$451,122 (\$21.00/psf), subject to 12 months gross rent abatement. The lease rate is full service and includes janitorial, common area maintenance and common utilities, heating and cooling during normal business and after

hours, and building insurance and taxes. The University will be responsible for separately metered power to space and its telecommunications and networking charges.

Funds for the current fiscal year are available from BIS Coalition cost recovery funds, federal (Smith-Lever) Extension funds, and FY 07 state appropriations to Extension in the College of Agriculture, Consumer and Environmental Sciences. Funds for future fiscal years will be included in part in the state appropriations to Extension budget requests to be submitted to the Board of Trustees. Additional funding is anticipated via BIS Coalition cost recovery funds, federal (Smith-Lever) Extension funds. Further, it is anticipated that Wheaton Extension office will relocate to this facility, thus DuPage County Extension funds would also be used as a partial funding source.

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 for Administration concurs.

The President of the University recommends approval.