

Approved by the Board of Trustees
September 10, 2020

Board Meeting
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ROLL CALL

APPROVE LEASE OF SPACE FOR THE DISCOVERY PARTNERS INSTITUTE, CHICAGO, ILLINOIS

Action: Approve Lease of Space for the Discovery Partners Institute, Chicago, Illinois

Funding: Institutional Funds

The Chief Financial Officer, with the concurrence of the appropriate administrative officers recommends approval, subject to satisfactory resolution of final contract terms, and delegation to the Comptroller to execute a lease for approximately 22,560 square foot of office space at 200 South Wacker Drive, Chicago, Illinois.

The DPI is one of the 15 hubs in the Illinois Innovation Network (IIN) and is led by the University of Illinois System in partnership with local and global research universities and focuses on workforce development for in-demand technology jobs and applied R & D to accelerate economic development. By 2024, the DPI anticipates training and educating over 10,000 students and generating over \$700 million in economic activity for the state of Illinois through research and innovation programming.

The DPI currently occupies approximately 22,000 square feet of office space on the fourth floor at 200 South Wacker Drive. This space consists of three large classrooms, a large event space, several small conference rooms, and several offices

which house the current DPI staff. The fourth floor is currently at capacity for space. Going forward, DPI will need additional office and meeting space to accommodate its expanding programming and staff. The additional office space will also help to properly deal with social distancing for students and staff.

In addition to its own staffing and programming needs, the DPI is inviting several groups from around the University of Illinois System to establish a presence in the DPI. Thus, groups from Illinois Ventures, NCSA, the College of Engineering, and other units are in discussions to lease space and join the DPI. There are also companies and organizations that have expressed interest in leasing space in the DPI. These include iWerks, AbbVie, and Discover Financial Services. DPI is currently forming science teams, each of which may take space in the DPI offices. The DPI is also building a Ventures Unit that will lease space to start-up companies originating from the University of Illinois System universities and the DPI partner universities.

Ultimately, the DPI will occupy a proposed 500,000 square foot facility in the South Loop anticipated to be completed in 2025, but the DPI's space needs will continue to grow in the meantime and this is a step towards meeting those needs.

The proposed lease space is more than \$100,000 per year in cost and required issuance of a Request for Information (RFI) pursuant to the Illinois Procurement Code. There were five respondents in total and the successful respondent was John Hancock Life Insurance Company, (U.S.A.) with a floor plate, lease terms, location, and submission that met the RFI request. While it was not the lowest cost option, the committee believes the significant benefits and value of expanding the University's

presence at the selected site outweigh the additional costs. Expanding at the existing site will allow the DPI to build upon and synergize with its existing presence on the fourth floor. Locating all DPI activities at one location will maximize operational efficiencies and continuity of programming, foster collaborations, as well as build upon and support brand awareness for the University of Illinois and the DPI.

The term of the proposed lease is five years commencing February 1, 2021, with a one-year renewal option followed by a three-year renewal option. The lease includes a fixed right to take an additional 6,000 square foot of space within the first 12 months of the lease to accommodate further growth, if needed. The landlord is John Hancock Life Insurance Company (U.S.A.).

The proposed lease includes a \$1,240,800 landlord allowance towards tenant improvements and five months of rent abatement valued at \$440,860. Up to 50 percent of unused tenant improvement allowance may be applied towards further rent abatement. The annual base rent is \$26.50 per square foot with 2.5 percent annual escalations. The lease rental rate is triple net which is market standard within the Chicago Business District. The first-year additional rents for full pass-through of the University's share of operating expenses, insurance and taxes combined are currently \$20.40 per square foot. Operating expense increases will be capped at five percent annually. The first year's base plus additional rent after factoring in five months of base rent abatement is \$617,204. The University will be responsible for its own electrical, janitorial, telephone, and internet costs.

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.