

FCR 1

Office of the President
June 22, 2018

Members, Board of Trustees:

APPROVAL OF LEASE

Recommendation: that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate, and execute a lease for office space for University of Kentucky's healthcare operations (UK HealthCare or UKHC). UKHC will lease space from the Kentucky Medical Services Foundation (KMSF) located at 2301, 2317, 2325, and 2333 Alumni Park Drive, Lexington, KY.

Background: At its October 2006 meeting, the Board of Trustees amended Governing Regulation II.A.6 (g) requiring that all leases in excess of \$200,000 annually be approved by the Board of Trustees. The President or his designated representative is authorized to enter into leases and easements not exceeding \$200,000 in value.

The leased space will comprise 101,264 square feet with an annual rent of \$2,642,990.40 to be funded with agency funds. KMSF has been UKHC's landlord in these buildings since 2008 where administrative functions of UKHC are housed. KMSF sent the only response received during the recent request for proposal process. They offered the same base rent they were currently charging, \$16.10 per square foot. Additional rent to cover operating expenses including utilities and common area maintenance was quoted at \$10.00 per square foot. The University determined that renewing this lease is in the best interests of the University.

Kentucky Revised Statute §48.111 requires legislative authorization of all leases with an annual cost of \$200,000 or more. The lease has been authorized by the Kentucky General Assembly in the enacted 2018-20 Executive Budget of the Commonwealth. Contingent upon approval by the Board of Trustees, the lease will be reported to the Capital Projects and Bond Oversight Committee.

Action taken: Approved Disapproved Other _____