

FCR 3

Office of the President
September 14, 2018

Members, Board of Trustees:

APPROVAL TO ACQUIRE/RENOVATE WAREHOUSE SPACE

Recommendation: that the Board of Trustees authorize the Executive Vice President for Finance and Administration to enter into a purchase agreement to acquire and renovate warehouse facilities located at 1247 Versailles Road / 554-558 South Forbes Road, Lexington, Fayette County, Kentucky and fund the acquisition and renovation with an internal loan.

Background: At its June 16, 2017 meeting, the UK Board of Trustees authorized the Executive Vice President for Finance and Administration to negotiate and execute a building lease between the University of Kentucky, as Lessee, and GF Vaughan Tobacco Company, as Lessor, for warehouse and storage space located at 1247 Versailles Road / 554-558 South Forbes Road, Lexington, KY. The leased space is a combination of warehouse, storage, and office space totaling over 465,000 square feet located approximately two miles from the UK Main Campus. As discussed in June 2017, additional warehouse and storage space would free up space for critical use on the University's Main Campus, allowing for its continued transformation.

It is advantageous for the University to own rather than lease this facility in lieu of a long term lease commitment and to modify the space to meet University needs. The University and GF Vaughan Tobacco Company have held intermittent discussions regarding the purchase of this site that includes 16.63 acres. This acquisition is not expected to exceed \$4,650,000 and the first stage of the renovation is not expected to exceed \$2,000,000.

Both the recommended acquisition and renovation were authorized by the 2018 Session of the Kentucky General Assembly as part of the Acquire Land (Land Acquisition Pool) and Renovate Warehouse Space capital projects and will be funded with an internal loan. Pursuant to Administrative Regulation 8:2, any Capital Project with an estimated cost of \$1,000,000 or more must be approved by the Board prior to initiation. In addition, pursuant to the Internal Loan Program Policy, any internal loan greater than \$1,000,000 must be approved by the Board. The internal loan will be repaid with agency funds, including the principal of the loan and accrued interest over a period not to exceed nine years. In accordance with the University's Internal Loan Program Policy, the Debt Management Committee has reviewed and supports the proposed internal loan and financing plan.

Kentucky Revised Statute §164A.575 states that upon the approval of the Secretary of the Finance and Administration Cabinet, the governing board may purchase or otherwise acquire all real property determined to be needed for the institution's use. Pending Board approval, the University will finalize negotiations and enter into all agreements necessary to complete acquisition.

Action taken: Approved Disapproved Other _____