

FCR 9

Office of the President
December 2, 2025

Members, Board of Trustees:

APPROVAL OF LEASE-PURCHASE

Recommendation: that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute a lease-purchase agreement between the University of Kentucky St. Claire Health (UKSC) and the Rowan County Board of Education to acquire the real property and improvements located at 415 West Sun Street, Morehead, Kentucky.

Background: Pursuant to Governing Regulation II.G.3, the Finance Committee reviews and recommends to the Board of Trustees all leases in excess of \$200,000 annually and any capital project with an estimated cost of \$1,000,000 or more.

UKSC and the Rowan County Board of Education have held discussions regarding the lease-purchase of the property and improvements which include an 85,000 square foot building. Pursuant to Kentucky Revised Statute §56.806, the rent paid during the term of the lease-purchase agreement will amortize the fair market value of the leased property as of the time the lease-purchase is entered. The appraised value of the property is \$6,700,000. The total rent payments are equal to the agreed purchase price of \$6,402,400. Customary due diligence and the costs of appraisals, land surveys, closing fees and other capitalized costs of acquisition will be added.

The potential purchase was reported at the September 25, 2025, meeting of the Board of Governors for Claire Blue Health, LLC, at which the Board of Governors agreed to recommend approval of the purchase to the UK Board of Trustees.

Pursuant to Kentucky Revised Statute §48.111, this lease has been authorized by the Kentucky General Assembly in the enacted 2024-2026 Executive Budget of the Commonwealth. Contingent upon the approval from the Board of Trustees, the University will request approval of the purchase from the secretary of the Finance and Administration Cabinet pursuant to Kentucky Revised Statute §164A.575, and the lease-purchase will be reported to the Kentucky Capital Projects and Bond Oversight Committee pursuant to Chapters 45 and 56 of the Kentucky Revised Statutes.

Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plan and supports the proposed recommendation.

Action taken: ☒ Approved ☐ Disapproved ☐ Other _____

