

March 22, 2017

MEMORANDUM

TO: State Board of Regents
FROM: David L. Buhler
SUBJECT: University of Utah – Long-term Lease

Issue

The University of Utah (UU) requests Board approval to enter into an eleven-year lease in order to relocate several University departments whose leases will soon expire. The new lease will be located in downtown Salt Lake City and will save approximately eight percent of the current lease costs.

Background

Regent Policy R705, *Leased Space* requires the Board of Regents to approve institutional leases with state-appropriated funds that are more than \$250,000 per year or commit the institution for ten or more years. The UU seeks Board approval to enter into an eleven-year lease for approximately 53,000 square feet in the 250 Tower, located at 250 East 200 South in Salt Lake City, Utah. The University has negotiated the first year at no cost and the second year at \$24 per square foot (\$1,272,000 based on 53,000 square feet) with a 2.5 percent annual escalation.

The new lease is necessitated by the expiration of multiple leases and the opportunity for consolidation and cost-savings across the University. The new lease will save approximately \$110,000 annually and will house the following University departments (with approximate square footage):

- Hospital & Clinics: Business and Network Development (14,600 square feet)
- Hospital & Clinics: Pharmacy Admin. and Drug Information (16,100 square feet)
- Hospital & Clinics: Huntsman Hospital Administration (2,200 square feet)
- School of Medicine: Dermatology Billing (3,200 square feet)
- School of Medicine: Huntsman Institute Administration (5,200 square feet)
- Main Campus: Human Resources (11,400 square feet)

The UU Board of Trustees' approval is anticipated on March 14, 2017. Additional information about this request may be found in the attached letter from the University. Representatives from the University will be available to respond to questions from the Board at the March Board meeting.

Commissioner's Recommendation

The Commissioner recommends that the Board authorize the University of Utah to enter into a long-term lease at 250 East 200 South in Salt Lake City, Utah for the relocation of various University departments.

David L. Buhler
Commissioner of Higher Education

DLB/KLH/RPA
Attachment

March 6, 2017

Mr. David Buhler
Commissioner
Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Dear Commissioner Buhler:

The University of Utah hereby requests approval from the Board of Regents' to enter into a lease for 53,000 square feet of space in the 250 Tower located at 250 East 200 South in Salt Lake City, Utah.

The proposed lease will address current lease expirations for the following University departments:

- **Hospital & Clinics – 32.9k sf**
 - Business & Network Development – 14.6k
 - Pharmacy Admin & Drug Info – 16.1k
 - Huntsman Hospital Admin – 2.2k
- **School of Medicine – 8.4k sf**
 - Dermatology Billing – 3.2k
 - Huntsman Institute Admin – 5.2k
- **Main Campus – 11.4k sf**
 - Human Resources – 11.4k

The business terms of the proposed lease agreement are summarized as follows:

- 53k rentable square feet
- Lease term of eleven (11) years
- Rental rate of \$24/rsf full service
 - First twelve (12) months abated
 - Annual escalations of 2.5%
- Landlord provided tenant improvement allowance of \$50 per usable square feet
 - Anticipated University out of pocket expenses for relocation and FF&E is \$1.6M after the landlord's tenant improvement allowance.

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The average annual lease cost is \$1,290,000 and is approximately 8% less than the \$1.4M in annual funds currently committed to these users existing lease obligations.

Thanks, as always, for your consideration and support.

Sincerely,



Patricia A. Ross
Chief of Staff

c: David W. Pershing
Dr. Kimberly Henrie
Richard P. Amon
John E. Nixon
Jonathon Bates