INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS

**Action Requested:** Recommend the Board approve two proposed 10-year leases for new clinical/office/support space at 865 Lincoln Road in Bettendorf with AJS Holdings, LLC of Davenport for the benefit of the University of Iowa's UIHC.

**Lease #1:** UIHC would lease 11,618 square feet of clinical/offices/support space from AJS on the main level (Suite 200) for $15.75 per square foot or $182,983.50 per year for the first two years.

**Lease #2:** UIHC would lease 5,814 square feet of clinical/offices/support space from AJS in the basement for $8.00 per square foot or $46,512 per year for the first two years.

- *Iowa Code §262.9 (8)* authorizes the Regents to acquire real estate for the proper uses of the institutions and dispose of real estate, when not necessary for their purposes.

- *Policy Manual* Chapter §2.3, part 2.E.iv.b requires that leases over 10,000 gross square feet, more than $150,000 in annual base rent or more than five years duration require Board approval.
**Background:** UIHC already has one 12,081 square foot lease in this building. If approved by the Board, the UIHC would have a total of 29,513 square feet or 73% of the building.

This additional space would provide for clinical growth to enhance patient access for primary and specialty care in pediatrics, family medicine, women’s health, and dermatology. The additional space would provide new exam rooms, x-ray, lab capacity, and staff and support space. The lower level area would provide medical supply storage and other support space for the various UIHC clinics throughout the building.

UIHC would need certain renovations made to the new lease space to meet UIHC’s expectations for clinical use and Joint Commission mandates. AJS would provide UIHC with a $10.00 per square foot allowance for tenant improvements in Suite 200 and a $7.50 per square foot allowance in the basement. All UIHC tenant improvements beyond this allowance would be completed by AJS per UIHC’s design and construction specifications, and then either reimbursed to AJS as a lump-sum payment upon substantial completion of the work, or as additional rent amortized to AJS for a specified term, not to exceed the existing term.

**Rent, years 1 and 2:**
- Suite 200 = $15.75 per square foot x 11,618 square feet = $182,983.50 per year
- Basement = $ 8.00 per square foot x 5,814 square feet = $46,512.00 per year
  
  $229,495.50 per year

**Rent, years 3-4, 5-6, 7-8 and 9-10:**
Rent increases $0.25 per square foot every two years

**Terms:** Both leases would have 10 year terms with two, five-year renewal options (10+5+5 years)

**Operation & Maintenance Cost:**
$9.88 per square foot (first year estimate, adjusted annually based on prior year expenses)

In addition to base rent, UIHC would pay its proportionate share of building operations and maintenance (O&M) costs, including insurance, common area maintenance (CAM), utilities, trash, snow removal, lawn care, property management fees and taxes.

1 Matches the base rent of the existing 12,081 square foot lease.