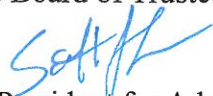




April 29, 2015

TO: Members of the Board of Trustees

FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

Richard F. Orr
Vice President and General Counsel

RE: Acquisition of 38 Prospect Street, Hartford, CT

RECOMMENDATION:

That the Board of Trustees approves the Administration to enter into a Purchase & Sale Agreement to acquire 38 Prospect Street (“Building”) in Hartford, CT, and to enter into a Master Lease for the same property.

Time is of the essence for this transaction; if approved, the closing is expected to occur by May 31, 2015.

BACKGROUND:

Need for the Building

The University has undertaken the relocation and consolidation of the University’s existing Greater Hartford campus from West Hartford to downtown Hartford, Connecticut. Downtown Hartford, with its proximity to State government and industry, its dynamic urban environment and its improved system of public transportation is an ideal location for the University’s Hartford campus. The relocation includes all programs (with the exception of the Agricultural Extension) currently in residence in West Hartford. The consolidation also includes the School of Business, which currently leases space in downtown Hartford. After an extensive, formal, public solicitation and Executive Committee review of potential sites, the University identified a property on the corner of Prospect Street and Arch Street in the Adriaen’s Landing District – the site of the vacant and neglected Hartford Times Building – as the preferred location for the new campus center.

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In order to encourage foot traffic and create a dynamic urban learning environment, the University chose to pursue a “neighborhood campus” concept, with portions of the academic program dispersed among several buildings in close proximity. The construction of a new main building will address approximately 70% of the programmatic needs in the campus relocation, and acquisition of additional space in the immediate vicinity of the new building is necessary to house the balance of the campus program. Partnerships with existing institutions in the neighborhood will partially satisfy the programmatic needs, but acquisition of additional space for faculty, staff and classrooms in the range of 35,000 GSF is required to wholly satisfy the University’s academic program. After extensive market research and evaluation, and a long period of negotiation, the building at 38 Prospect Street was determined to represent the best alternative to meet the academic program needs of the campus at the least capital cost.

Transaction Description

This “sale-leaseback” transaction has two components: (1) the University will purchase the Building from 38 LLC (“Seller”), for an amount not to exceed \$3,990,000, accomplished by drawing down UCONN 2000 funds; and (2) the University will enter into a short-term Master Lease for the Building, under which the University will be the Master Landlord and the Seller will become the Master Tenant, for a period to extend to no later than February 29, 2016. At the end of that term, the University will be in sole possession and will begin renovations.

Financing the Purchase

The Administration seeks authorization from the Board of Trustees to utilize UCONN 2000 funds to acquire the Building. In addition to the purchase price of \$3,990,000, the authorization includes closing costs such as those related to title insurance, survey, environmental site assessments, building condition assessments, attorney’s fees, and similar customary charges.

The Seller’s existing note is secured by a mortgage, and the University will satisfy that mortgage at closing as part of the purchase price. The note has a prepayment penalty of \$80,000 and the Administration has determined that it is in the University’s best interests to incur this prepayment cost, above the purchase price. All of these costs are included in the \$115 Million project budget, for which approval is being sought separately today (See Attachment 12).

The Master Lease

At closing, the University will execute a lease for the Building in which the Seller will become the Building’s Master Tenant and the Seller’s existing tenants will become subtenants. The term of this lease will end no later than February 29, 2016. The two subtenants will be required to vacate by that date. The University will pay a total of \$175,000 in relocation costs to Seller/Tenant to relocate these subtenants. No rent will be paid by the Seller/Tenant during the 9-month term, but the Seller/Tenant will be responsible for the following operational costs:

- Property insurance (building and liability);
- Personal property insurance;
- Utilities;

- Janitorial services;
- Ongoing repairs and maintenance of existing plumbing, electrical and mechanical systems;
- Exterior landscaping and plowing;
- Elevator maintenance; and
- Repairs, interior and exterior, of items damaged by the Seller/Tenant's use of the grounds and facilities.

As owner of the Building, the University will be responsible for repair/replacement due to the failure of any building systems (e.g., structural, roof, mechanical, electrical) as well as any real estate property taxes that may be due until a tax exemption becomes effective.

Building Renovation Cost

The estimated cost of renovations to convert the building from commercial use to academic use is approximately \$4,800,000, which is included in the current UConn Hartford Relocation project budget of \$115 Million. Approval for that project budget funding is being sought in a separate request (See Attachment 12).

Parking

There are 35 parking spaces assigned to the Building in the adjacent Traveler's garage, which will be available to the University upon closing.

RESOLUTION

BE IT RESOLVED THAT THE BOARD OF TRUSTEES OF THE UNIVERSITY authorizes the Administration to enter into a Purchase & Sale Agreement to acquire 38 Prospect Street in Hartford, Connecticut, and to enter into a Master Lease for the same property, on the terms set forth above.