

December 7, 2016

TO: Members of the Board of Trustees

FR: Scott A. Jordan *SJ*
Executive Vice President for Administration and Chief Financial Officer

RE: Retail Space Lease for UConn Hartford

RECOMMENDATION:

The Administration recommends that it be authorized to enter into a lease with FSD University, LLC ("FSDU") to lease to FSDU 19,000 to 20,000 square feet of retail space on the perimeter of the new UConn Hartford Campus building.

No further Board action will be required to make the final negotiated agreement binding.

This recommendation is embodied in a Board Resolution at the end of this Memorandum.

BACKGROUND:

By resolution on June 3, 2014, the Board of Trustees authorized the Administration to enter into a "Campus Development Agreement" among UConn, FSDU,¹ and the State of Connecticut (acting through the Secretary of the OPM). The Campus Development Agreement was one of a suite of agreements designed to effectuate the development of a new downtown Hartford campus building on the former Hartford Times site in the Adriaen's Landing area. A retail space lease -- known as the "Phase III Retail Space Lease" (the "Lease") -- is required under Section 7.01(d) of the Campus Development Agreement. UConn and FSDU have substantially completed the negotiation and drafting of this Lease.

This Lease would allow FSDU to lease from UConn 19,000 to 20,000 square feet on the perimeter of the new UConn Hartford Campus building. The retail space in the building is located along Front Street, Front Street Extension and Arch Street. FSDU, in turn, would be allowed to sublease this space to retail and other permitted users, would receive all revenue from these subleases, and would pay the UConn nominal consideration of \$1 per year. The revenue FSDU will receive from the subleases is the primary consideration which UConn agreed to give

¹ As explained in the June 3, 2014 Board memorandum entitled "Greater Hartford Campus – Relocation from West Hartford to Hartford", FSDU is a single-purpose entity affiliated with HBN Front Street District, Inc., the OPM-approved developer of the Adriaen's Landing E/R/R District. The UConn Hartford Campus site is located in this district.

to FDSU (and its affiliated entity) in exchange for the development rights to the former Hartford Times site for the construction of the UConn Hartford Campus. UConn has the right to control uses through a negotiated list of permitted and prohibited uses.

MATERIAL TERMS OF THE LEASE:

The Administration today seeks the Board's approval of the Lease containing the following material terms without further Board action:

- The initial term is 50 years, with an additional potential renewal term of thirty-five (35) years;
- FSDU will pay \$4.00 per square foot of Common Area Maintenance (CAM) charges, subject to a 2% annual escalator;
- FSDU will reimburse UConn for utilities operation costs related to the retail space;
- UConn will maintain the common areas, exteriors and building structure;
- FSDU will be responsible for the fit-out and maintenance of the interior of the areas it will be leasing from UConn (the "Demised Premises");
- FSDU will accept the Demised Premises in "As-Is, Where-Is" condition, provided it is constructed in accordance with the Campus Development Agreement with all mechanicals in working order;
- FSDU will sublease the Demised Premises to third parties, subject to a list of categories of uses that the Demised Premises may and may not be used for;
- The Lease will contain provisions regarding initial and continued lease-up of the Demised Premises, as well as requirements related to operating hours. If portions of the Demised Premises become abandoned or otherwise unleased, UConn will have the right to purchase that space from FSDU and terminate the Lease with respect to that space. In addition, there will be provisions regarding the physical appearance of the Demised Premises during lease-up, including window coverings and the like; and
- FSDU may sell its leasehold interest, provided that UConn has a right of first refusal on materially the same terms and conditions of the offer FSDU would intend to accept.

RESOLUTION:

For the reasons set forth above, the Administration recommends that the Board of Trustees adopt the following resolution:

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF CONNECTICUT:

The Board of Trustees authorizes the Administration to enter into a lease with FSD University, LLC ("FSDU") to lease to FSDU 19,000 to 20,000 square feet of retail space on the perimeter of the new UConn Hartford Campus building, containing the material terms as set forth in this Memorandum.