

July 9, 2019

Senator Rick Girdler, Co-Chair
Representative Walker Thomas, Co-Chair
Capital Projects and Bond Oversight Committee
Capital Annex Building – Room 34
702 Capitol Avenue
Frankfort, Kentucky 40601

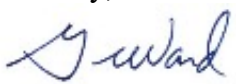
Dear Senator Girdler and Representative Walker and Members of the Capital Projects and Bond Oversight Committee:

Pursuant to KRS §56.823 this is to report a new lease for the University of Kentucky that will exceed \$200,000 annually and is authorized in the 2018-2020 Executive Branch Budget Bill, House Bill 200.

UK HealthCare Specialty Pharmacy was initiated in 2014 and is a state-licensed pharmacy that provides medications for people with serious health conditions requiring complex therapies. These include conditions such as cancer, hepatitis C, rheumatoid arthritis, HIV/AIDS, multiple sclerosis, cystic fibrosis, organ transplantation, human growth hormone deficiencies, hemophilia and other bleeding disorders. The Specialty Pharmacy is currently located on the 2nd floor of Pavilion H of the Chandler Hospital and this space can no longer accommodate the pharmacy, which is experiencing a 20% annual growth rate. This lease will be for space at 531 Wellington Way, Lexington, Kentucky, for 30,712 square feet of administrative, pharmacy and outpatient space at an annual cost of \$1,136,345 to be paid with clinical revenues. The effective date will be August 1, 2019 with an expiration of June 30, 2020.

If you should have any additional questions regarding this lease, please give me a call at the number below or Elizabeth Baker at 859.257.6315.

Sincerely,



George Ward
Executive Director

c: Angie Martin Christine O'Brien Elizabeth Baker

seeblue.

**University of Kentucky
Real Estate Services Division**

Report to Capital Projects and Bond Oversight Committee
Lease with Annual Rental Exceeding \$100,000
(to be reported after lessor selection, but before lease execution)

Lease Number: PR 8419 **County:** Fayette

Lessee Agency: University of Kentucky, UK Healthcare

Lessor:

Name		Address	
Wellington Properties III		523 Wellington Way, suite 160, Lexington, KY 40503	
<u>Owners</u>			
33.4%	George Michael Ritchie, Jr	1789 Eastwood Drive	Lexington, KY 40502
33.3%	George Michael Ritchie III	800 Brookhill Drive	Lexington, KY 40502
33.3%	Derrick Austin Ritchie	2117 Hunters Wood Lane	Lexington, KY 40502

PROPERTY LOCATION: 531 Wellington Way, Fayette County, Lexington, Kentucky 40503

CHECK ONE: New Lease ☒ Renewal Addendum

Type of Space: 30,712 Square Foot for Administrative, Outpatient and Pharmacy space

Cost Per Square Foot: Base Rent (\$21.95) + Amortized Tenant Improvements (\$15.05) = \$37.00

Annual Cost: Base Rent (\$674,129) + Amortized Tenant Improvements (\$462,216) = \$1,136,345

Average Square Foot Cost of State Leased Space in County: \$29.50 (Clinical Space)

Includes Utilities: YES ☒ NO

Cancellation Clause: YES ☒ NO

If yes, explain terms: **30 days, as required**

If no, explain why not:

Effective Date: Estimated – 8/1/19 **Expiration Date:** 6/30/20

Justification for Lease: UK Specialty Pharmacy was initiated in 2014 within a temporary space at Chandler Hospital that can no longer accommodate the 20% annual growth rate of the

Specialty Pharmacy. Additionally, non-oncology infusion services, which represents a growing subset of Specialty Pharmacy, will also be relocated from the Gill facility to the new location at Wellington Way.

Statements as to whether the University of Kentucky complied with statutory requirements:
(If not in compliance, explain why): The University is in compliance with the statutory requirements.

Explanation of why the University of Kentucky chose this Lessor over the competition: An RFP was issued to which there were three respondents. After careful consideration of all responses, it was determined that selection of 531 Wellington Way is in the best interests of the University and the Commonwealth.



Real Estate Services

July 9, 2019

Senator Rick Girdler, Co-Chair
Representative Walker Thomas, Co-Chair
Capital Projects and Bond Oversight Committee
Capital Annex Building – Room 34
702 Capitol Avenue
Frankfort, Kentucky 40601

Dear Senator Girdler and Representative Walker and Members of the Capital Projects and Bond Oversight Committee:

Pursuant to KRS §56.823, the University of Kentucky is reporting a proposed lease for the University's College of Agriculture, Food, and Environment (CAFE) which will exceed \$100,000 annually for a 7,500 square foot space located at 1509 Bull Lea Road, Fayette County, Kentucky (1509 Building) on the UK Coldstream Research Campus.

CAFE has established the Equine Analytical Chemistry Laboratory (EACL) which will assume the responsibility of testing more than 15,000 biological samples per year from clients throughout the Commonwealth and across the country involved in the sport horse industry. The United States Equestrian Federation (USEF) previously offered this service at the leased facility, the 1509 Building. Maintaining operations at this facility will allow continuity of service and connection to UK resources while still providing ease of access to transportation corridors to facilitate sample/shipment deliveries to the laboratory. All client samples require a strict chain-of-custody to secure sample integrity. Per the negotiated agreement, USEF will convey all its laboratory equipment and supplies currently located in the 1509 Building with an estimated market value of approximately \$1,000,000.00 to the University. Per the terms of the agreement, the University will assume USEF's lease for the 7,500 square foot space located in the 1509 Building.

Given the volume of the research equipment and supplies (over 1,000 items) and the need for continuity of service to the sport horse industry, it is not feasible at this time to issue an RFP for a new lease. Consequently, the University has agreed, contingent upon approval of the Committee, to assume the lease for the current

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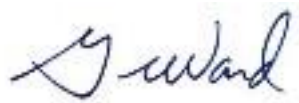
1500 Bull Lea Rd., Room #106 | Lexington, KY 40511 | P: 859-257-8649 | www.uky.edu

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space, amended to comply with KRS §56.806. The base rent of \$13.97 and operating expenses of \$1.90 per square foot are well below the market average. The total annual rent is \$119,025.00. After consideration of all factors, the University's assumption of this responsibility within the existing space was determined to be in the best interests of the University and the Commonwealth.

If you should have any questions, please call me at the number below or Elizabeth Baker at 859-257-6315.

Sincerely,

A handwritten signature in dark ink, appearing to read "G Ward". The signature is fluid and cursive, with the first letter "G" being large and stylized.

George Ward

C: Angie Martin

Christine O'Brien

Elizabeth Baker

**University of Kentucky
Real Estate Services Division**

**Report to Capital Projects and Bond Oversight Committee
Lease with Annual Rental Exceeding \$100,000
(to be reported after lessor selection, but before lease execution)**

Lease Number: PR 8429 **County:** Fayette

Lessee Agency: University of Kentucky, College of Agriculture, Food and Environment (UK CAFE)

Lessor: RWPH Investments, LLC

PROPERTY LOCATION: 1509 Bull Lea Road, Fayette County, Lexington, Kentucky 40511

CHECK ONE: New Lease ☒ Renewal Addendum

Type of Space: Laboratory space

Cost Per Square Foot: \$13.97/sf for base rent + \$1.90/sf operating expenses.

Annual Cost: Base Rent \$104,755.00 (\$13.97/sf) + Operating Expenses \$14,250 (\$1.90/sf) =

Total Annual Cost: \$119,005

Average Square Foot Cost of State Leased Space in County: \$30 (Laboratory Space)

Includes Utilities: YES ☒ NO

Cancellation Clause: YES ☒ NO

If yes, explain terms: **30 days, as required**

If no, explain why not:

Effective Date: Estimated – 8/1/19

Expiration Date: 6/30/20

Justification for Lease: UK will be given laboratory equipment and supplies valued at approximately \$1,00,000 from the United State Equestrian Federation (USEF) and will assume responsibilities of testing more than 15,000 biological samples annually from clients across the Commonwealth and United States involved in the sport horse industry and a lease for the 7,500 square feet of lab space currently occupied by USEF.

Statements as to whether the University of Kentucky complied with statutory requirements: (If not in compliance, explain why): The University is in compliance with statutory requirements.

Explanation of why the University of Kentucky chose this Lessor over the competition: Pursuant to KRS Chapter 45A, the University determined that it is not feasible and is impractical at this time to issue an RFP for a new lease given the volume of the research equipment and supplies, the difficulty logistically of moving quickly, and the need for a continuity of service to the sport horse industry. Further, the cost per square foot is well below other laboratory space leased in Fayette County.