

**BOARD OF TRUSTEES
UNIVERSITY OF THE DISTRICT OF COLUMBIA
UDC RESOLUTION NO. 2019-20**

SUBJECT: Approval of the First Amendment to Lease Agreement for the property located at 4225 Connecticut Avenue, NW, Washington, DC between 4225 Connecticut Avenue NW Limited Partnership as Landlord and the Board of Trustees of the University of the District of Columbia (“University”) as Tenant (the “First Amendment”)

WHEREAS, pursuant to D.C. Code § 38-1202.1(a)(5) and (6), the Board of Trustees (“Board”) possesses all powers necessary or convenient to accomplish its statutorily prescribed objects and duties, including the power to make, deliver, and receive deeds, leases and other instruments and to take title to real and other property in its own name; and

WHEREAS, pursuant to 8B DCMR §2100.1, the President of the University, subject to Board approval, is authorized to enter into real estate lease agreements with any person, partnership, corporation, or other entity; and

WHEREAS, pursuant to 8B DCMR §2100.3, the President shall lease as he deems to be in the interest of the University and necessary for the accommodation of University activities; and

WHEREAS, pursuant to 8B DCMR §2100.7 and §2100.8 acquisition of space by lease will be by negotiation, and on the basis most favorable to the University with due consideration to maintenance and operation efficiency and only at charges consistent with prevailing scales in the community for comparable facilities; and

WHEREAS, pursuant to 8B DCMR §2100.9, approval of the Board is required for all leases and lease renewals; and

WHEREAS, the University is currently leasing approximately 19,998 rentable square feet of office space at 4225 Connecticut Ave NW (“Property”) from the Landlord to provide for additional swing space for office and administrative functions of the University during its planned building improvements and system upgrades; and

WHEREAS, the First Amendment would extend the term of the Lease for an additional 14-Year period and allow the University to continue its occupancy and intended use of the Property.

NOW THEREFORE, BE IT RESOLVED, that, subject to the required approval of the Council, the First Amendment, substantially in the form attached hereto as Appendix A, is hereby approved by the Board in accordance with 8B DCMR §2100.1, and the President is hereby authorized to enter into the First Amendment, substantially in the form attached hereto as Appendix A, on behalf of the Board; and

BE IT FURTHER RESOLVED, that as soon as practicable, the President is hereby directed to transmit the First Amendment to the Council for its approval.

Submitted by the Operations Committee:

April 23, 2019

Approved by the Board of Trustees:

April 30, 2019



Christopher Bell
Chairperson of the Board

Appendix A
FIRST AMENDMENT

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter called the "Amendment") is made as of the ___ day of _____, 2019 ("Effective Date"), by and between 4225 Connecticut Avenue NW Limited Partnership, a District of Columbia limited partnership (hereinafter called "Landlord"), and the Board of Trustees of the University of the District of Columbia (hereinafter called "Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a Lease Agreement having a term commencing on July 9, 2018, and ending on July 8, 2019, wherein Landlord leased to Tenant and Tenant leased from Landlord the entire building located at 4225 Connecticut Avenue, NW, Washington, DC (hereinafter referred to as "Premises"), and the land on which the building is located (the building and land are hereinafter collectively referred to as the "Property") and the Premises consisting of approximately 19,998 rentable square feet; and

WHEREAS, Landlord and Tenant wish to modify the Lease to extend the term of the Lease and to confirm the Rent for the extension period as provided herein.

In consideration of the mutual covenants and agreements hereinafter set forth, the parties hereto do hereby mutually agree as follows:

1. EXTENSION OF LEASE TERM

Subject to the prior approval of the Council of the District of Columbia ("District Council"), Tenant hereby exercises the option to extend the term of the Lease for one (1) fourteen (14) year period (the "First Option") commencing on July 9, 2019 (also called the "First Option Commencement Date") and terminating at 11:59 PM on the fourteenth anniversary date of the First Option Commencement Date (the "First Option Expiration Date").

2. FIRST OPTION PERIOD MINIMUM RENT

All Minimum Rent installments are payable, in advance, on the 1st day of each and every month of this Lease during the Term. Rent during the Extension Period shall be as follows:

Lease Year	Annual Minimum Rental Rate (psf)	Annual Minimum Rent	Monthly Minimum Rent
2	\$35.88	\$717,428.25	\$59,785.69
3	\$36.77	\$735,363.96	\$61,280.33
4	\$37.69	\$753,748.06	\$62,812.34
5	\$38.63	\$772,591.76	\$64,382.65
6	\$39.60	\$791,906.55	\$65,992.21
7	\$40.59	\$811,704.21	\$67,642.02
8	\$41.60	\$831,996.82	\$69,333.07
9	\$42.64	\$852,796.74	\$71,066.40
10	\$43.71	\$874,116.66	\$72,843.05
11	\$44.80	\$895,969.58	\$74,664.13
12	\$45.92	\$918,368.81	\$76,530.73
13	\$47.07	\$941,328.03	\$78,444.00
14	\$48.25	\$964,861.24	\$80,405.10
15	\$49.45	\$988,982.77	\$82,415.23

3. PAYMENT BY TENANT OF ALL UTILITIES AND OPERATING EXPENSES

(a) Tenant shall arrange for the provision of, and shall promptly pay when due directly to the provider thereof, all charges for all utilities servicing the Premises during the Term of this Lease.

(b) Tenant shall be responsible for, as Operating Costs, for each Lease Year during the Term, an amount not to exceed the amount set forth below as O&M for each Lease Year. The Operating Costs shall escalate by an amount equal to three percent (3%) of the Operating Cost for the immediately preceding Lease Year; and for any partial Lease Year, the Operating Costs shall be appropriately prorated. Notwithstanding anything in this Lease to the contrary, the Tenant's financial obligations for Operating Costs are subject to Section 46 of the Lease.

Lease Year	2 2019	3 2020	4 2021	5 2022	
O & M	\$226,373	\$233,165	\$240,160	\$247,364	
Lease Year	6 2023	7 2024	8 2025	9 2026	10 2027
O & M	\$254,785	\$262,429	\$270,302	\$278,411	\$286,763
Lease Year	11 2028	12 2029	13 2030	14 2031	15 2032
O & M	\$295,366	\$304,227	\$313,354	\$322,754	\$332,437
Lease Year	16 2033	17 2034	18 2035	19 2036	20 2037
O & M	\$342,410	\$352,682	\$363,263	\$374,161	\$385,386
Lease Year	21 2038	22 2039	23 2040	24 2041	25 2042
O & M	\$396,947	\$408,856	\$421,121	\$433,755	\$446,767

4. PAYMENT BY TENANT OF REAL ESTATE TAXES

Real Estate Taxes for the Premises that become due and payable during the Term will be paid solely by the Tenant, subject to the provisions of Subsection 6(c) of the Lease. Tenant shall provide Landlord with written confirmation of payment within thirty (30) days of the due date.

4. RATIFICATION AND DEFINED TERMS

Except as amended or modified by this Amendment, the Lease shall continue in full force and effect. Landlord and Tenant each hereby ratify, affirm, and agree that the Lease, as herein modified, represents the valid, binding and enforceable obligations of Landlord and Tenant respectively. In the event of any conflict or inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall control and govern. Except as otherwise defined in this Amendment, each of the terms used herein shall have the same meaning assigned to such terms in the Lease.

[signature pages follow]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease under seal the day and year first hereinabove written.

LANDLORD:
4225 Connecticut Avenue, NW
Limited Partnership

By: _____
Koo L. Yuen, General Partner

STATE OF MARYLAND)
) SS:
COUNTY OF _____)

I, _____, a Notary Public in and for the jurisdiction shown above, do hereby certify that Koo L. Yuen, who is the General Partner of 4225 Connecticut Avenue, NW, Limited Partnership, a District of Columbia Limited Partnership, personally appeared before me, and being personally well known to me as (or proved by the oath of credible witnesses to be) the person who executed the foregoing Lease as General Partner, acknowledged the Lease to be the act of the Limited Partnership and that he executed the same as such.

Witness my hand and official seal this day _____ of _____, 2019.

[NOTARIAL SEAL]

Notary Public

My Commission Expires: _____

TENANT:

The University of the District of Columbia

Attest

By: _____
Ronald Mason, Jr.
President

DISTRICT OF COLUMBIA)
) SS:
)

I, _____, a Notary Public in and for the jurisdiction shown above, do hereby certify that _____, who is the _____ of the University of the District of Columbia, a _____, personally appeared before me, and being personally well known to me as (or proved by the oath of credible witnesses to be) the person who executed the foregoing Lease as _____, acknowledged the Lease to be the act of the University of the District of Columbia and that he executed the same as such.

Witness my hand and official seal this day _____ of _____, 2019.

[NOTARIAL SEAL]

Notary Public

Exhibit "A"

Legal Description

Lot numbered 7 in Square numbered 2051 in the subdivision made by TEXACO, INC. and STATEWIDE STATIONS, INC. as per plat recorded in the Office of the Surveyor for the District of Columbia in Liber 172 at Folio 138.

BEING THE SAME PROPERTY as described in **Instrument Number 8800068779** among the Land Records of the District of Columbia.

SSL: 2051/007
Property Address: 4225 Connecticut Avenue, NW
Washington, DC 20008-1159

MEMORANDUM

TO: Troy Lemaile-Stovall, Chief Operating Officer

FROM: Erik Thompson, Vice President

DATE: April 8, 2019

SUBJECT: 4225 Connecticut Ave NW – First Amendment to Lease Agreement

The University of the District of Columbia (“University”) and 4225 Connecticut Avenue NW, Limited Partnership (“Owner”) have negotiated and executed terms whereby the University will lease the land and improvements located at 4225 Connecticut Ave NW (“Property”) for its purposes. The initial 12-month term of the lease will expire on July 8, 2019 and the University desires to continue its master tenancy. Based on the terms of the lease, the University may exercise its First Option to extend the term of the lease for an additional 14 years. Based on the University’s plans to upgrade its facilities and related initiatives, there is an immediate need to seek the approval of this First Option to extend the lease.

For your reference, the current lease agreement with the Owner of Property includes the following:

Key Terms

1. The size of the space to be leased is approximately 19,998 rentable square feet;
2. The current lease term is for 12-months from commencement and expires July 8, 2019. The lease includes an option to extend the initial term for an additional 14 years, subject to DC Council approval (“First Option”). This First Option includes a one-time early termination option at lease year 7 from the commencement date. The lease also includes two 5-year options to extend the term.
3. The base rent for the second lease year (i.e., first year under the First Option) is \$35.88 per rentable square foot on a triple-net (NNN) basis (or \$717,428.25 in year 2);
4. Base rent will increase by 2.5% over the prior year’s base rent for each subsequent year throughout the term.

Operational Details

5. The University will be responsible for ongoing maintenance and repairs during the term of the lease, including capital repairs and replacements.
6. The University may install signage on the Property to connect it with the main campus.
7. The University is in the final planning stages for design and development of the Property for the initial programs that will be relocated from other buildings on campus for swing space purposes.

If you have questions or need additional information, feel free to contact my office at your convenience.

TO: The Board of Trustees
FROM: Managing Director of Finance *David A. Franklin*
DATE: April 23, 2019
SUBJECT: First Amendment to Lease Agreement for 4225 Connecticut Ave NW,
Washington DC

Conclusion

It is concluded that the University has sufficient capital funding to cover the one-time build-out and relocation costs of approximately \$5 million, and approximately \$1 million in average total annual rent and operating expenses associated with the continued leasing of the entire building located at 4225 Connecticut Avenue NW (the "Property").

The proposed lease will not have a negative financial impact to the University.

Background

The Property is the former retail location for Walgreens, located immediately across Connecticut Ave. NW from the Van Ness Campus of the University. The University is the current master tenant of the Property and is undergoing its final planning for its use as swing space for programs and departments on the Van Ness Campus. The Property is a unique opportunity for the University to provide alternative office space contiguous to the Van Ness Campus while other campus facilities will undergo rolling repairs and system upgrades.

The University and 4225 Connecticut Avenue NW Limited Partnership (the "Owner") have negotiated and executed a lease agreement where the University is leasing the entire building, totaling approximately 19,998 rental square feet, for its lawful purposes (the "Lease"). The initial 12-month term of the Lease will expire on July 8, 2019, and the University desires to exercise its right under the Lease to extend the lease for an additional 14-Year period ("First Option"). If this First Option is exercised, the Lease will also include two 5-year extension options exercisable by the University. Including the First Option to extend upon DC Council approval, the term would be 15 years with two additional 5 year options.

In the event that the University determines that it should not remain on the Property for the full 14-year first option term, the University has a one-time early termination right at Year 7 subject to a break-up fee. The University plans to use the Property as swing space associated with displaced offices and programs due to building maintenance and system upgrades on campus.

Fiscal Impact

The Property is approximately 19,998 rentable square feet and is comprised of two floors and a parking garage in the basement. The terms of the Lease and other key costs anticipated are summarized below.

I. Annual Rent

The proposed 14-Year First Option to extend the Lease ("First Option") will begin in Lease Years 2 through 15 as provided below:

Lease Year	Annual Base Rental Rate (psf)	Annual Base Rent	Monthly Minimum Rent
1	\$35.00	\$699,930.00	\$58,327.50
First Option			
2	\$35.88	\$717,428.25	\$59,785.69
3	\$36.77	\$735,363.96	\$61,280.33
4	\$37.69	\$753,748.06	\$62,812.34
5	\$38.63	\$772,591.76	\$64,382.65
6	\$39.60	\$791,906.55	\$65,992.21
*7	\$40.59	\$811,704.21	\$67,642.02
8	\$41.60	\$831,996.82	\$69,333.07
9	\$42.64	\$852,796.74	\$71,066.40
10	\$43.71	\$874,116.66	\$72,843.05
11	\$44.80	\$895,969.58	\$74,664.13
12	\$45.92	\$918,368.81	\$76,530.73
13	\$47.07	\$941,328.03	\$78,444.00
14	\$48.25	\$964,861.24	\$80,405.10
15	\$49.45	\$988,982.77	\$82,415.23

*The Lease provides a one-time termination right at Lease Year 7, whereby the University can terminate the Lease subject to a negotiated break-up fee directly related to the Owner's unamortized transaction costs incurred to lease the Property. Assuming the termination right is exercised by the University, the break-up fee at the end of Year 7 is approximately \$150,000.00.

University Build-out Costs

Based on the University's intended uses of the Property, it anticipates spending up to \$250.00 per square foot, or approximately \$4,999,500.00 for build-out, furniture, fixtures and equipment (FF&E), relocation and related costs.

Build-out Costs	\$4,999,500.00 (one-time)
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Operating Expenses

Based on commercial properties in the area, ongoing operating costs including water, electricity, gas, insurance, trash removal and other expenses are projected at \$11.00 per square foot, or approximately \$219,978.00 per year. Operating expenses are projected to increase at the rate of 3 percent annually.

Operating Expenses	\$219,978.00 per year
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Real Estate Taxes

Based on Tax Year 2018 real property taxes for the Property, real estate taxes will begin at approximately \$8.60 per square foot, or approximately \$171,983.00 per year. The terms of the Lease provides that, in the event the University is exempted from paying this leasehold tax, the University will be the sole beneficiary of such an act by the District of Columbia.

Real Estate Taxes	\$171,983.00 per year
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