AGENDA ITEM SUMMARY

1. **NAME OF ITEM:** Authorization to lease space in Augusta, USM

2. **INITIATED BY:** James H. Page, Chancellor

3. **BOARD INFORMATION:**
   
   **BOARD ACTION:** X

4. **BACKGROUND:**

   This is a request pursuant to Board Policy 801 for the University of Southern Maine to enter a new five-year lease for space in Augusta to be occupied by the Cutler Institute at an estimated total cost over five years of $864,730.20 and an annual cost of $172,946.

   The Institute already occupies leased space in Augusta. Since the current lease originated in 2011, the Cutler Institute has experienced a reduction in programs and people and consequently needs less space. This and the Cutler Institute’s interest in securing space in closer proximity to the State House office complex has precipitated the current request for alternative, smaller, lower-cost space.

   The proposed lease is for less space at a lower cost but for more time at an alternative site. The full term at the alternative space would cost an estimated 3 percent less than remaining in the current space for the remainder of the existing lease. The proposed space would cost an estimated 47 percent less on an annualized basis and the base rent would cost approximately 18 percent less per square compared with the status quo.

   This updated lease would be in lieu of fulfilling the 33 months remaining on the existing five-year lease in Augusta. The existing lease was authorized by Trustees in May, 2011. The proposed site is controlled by the same lessor as the existing space and the parties are agreeing to terminate the current lease as part of the transition to the alternative space.

   The current lease involves approximately 18,105 square feet of office space at 45 Commerce Drive in Augusta, Maine. The base rent is $17 per square foot plus internal electricity usage. The initial term began on July 1, 2011 and expires on June 30, 2016. The monthly cost for rent and internal electricity is estimated at $26,948.75. This lease will cost an estimated $889,308 over the remaining 33 months, or $323,385 per annum.

   The proposed lease would be for approximately 11,239 square feet at 14 Chestnut Street in Augusta. The base rent is $14 per square foot plus internal electricity usage. The term would be for 5 years with a 5 year renewal option. The monthly cost for rent and internal electricity is estimated at $14,412.17. The proposed lease will cost an estimated $864,730.20 over the full 60 months, which is $172,946.04 per annum.
The cost of the lease will be paid by University E&G funds generated by the recovery of indirect costs from grants and contracts in the Cutler Institute.

The Finance/Facilities and Technology Committee approved this recommendation to be forwarded to the consent agenda for Board of Trustees approval.

5. **TEXT OF PROPOSED RESOLUTION:**

That the Board of Trustees authorizes the University of Maine System acting through the University of Southern Maine to lease approximately 11,239 square feet at 14 Chestnut Street in Augusta, ME for a period of five (5) years, with the option to renew for one additional five (5) year term and to terminate its lease at 45 Commerce Drive. The final terms, including rate, associated costs and other terms, shall be negotiated by the University of Southern Maine in the best economic interest of the University, subject to review and approval by the University of Maine System Vice Chancellor of Finance and Administration and University Counsel.

11/07/2013