

## EXECUTIVE SUMMARY

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**Item Name:**                **Lease for Office Space in Washington, DC at  
1176 I Street, NW, 7<sup>th</sup> Floor, Washington, DC 20006 (ASU)**

☒      Action Item

**Requested Action:** Arizona State University (ASU) asks the board to approve its request to take all appropriate actions necessary for ASU to lease from 1776 Eye Street, LLC, an affiliate of Rockrose Development Corporation (Landlord) office space at 1776 I Street, NW, 7th Floor, Washington, DC, as described in this Executive Summary.

### Background/History

- In 2014, the Board approved a master lease agreement for a multi-use building at 1800 I Street, NW in Washington, DC (Barrett & O'Connor Center) from the ASU Foundation to house the McCain Institute, academic programs such as the Cronkite News Service and the Sandra Day O'Connor College of Law Semester in Washington, DC, and Washington, DC-based operations within the Office of Federal Relations, the Office of Knowledge Enterprise Development, the Office of University Affairs, and the School of the Future for Innovation and Society.
- Further extending ASU's national reputation are research centers like the McCain Institute, which is doing important work in areas such as conflict resolution and foreign policy. Reputational advancement is a key element in building enrollment and financial strength in support of a number of ABOR goals, including degree attainment, moderate tuition, and cost-effectiveness.
- Due to the recent and planned growth of the McCain Institute, new initiatives within ASU, and the growth of programs associated with both the School of Law and the Cronkite School of Journalism, ASU needs additional office space in the vicinity of the Barrett & O'Connor Center building to meet the full needs of all affiliated programs.

### Discussion

- This lease will allow ASU to provide additional office and program space to meet the current needs and growth of its existing Washington, DC operations in nearby proximity to its existing leased space at the Barrett & O'Connor Center at 1800 I Street, NW.

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#### Contact Information:

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- ASU wishes to enter into a lease, for a term of ten years to twelve years, for the use of 8,400 square feet of office space at 1776 I Street, NW, 7th Floor, Washington, DC, a building located across the street from the Barrett & O'Connor Center.
- To provide flexibility, ASU will have a lease termination option after lease year five. The termination option may be exercised at a cost equal to the unamortized lease transaction costs.
- The negotiated annual lease rate is \$64.50 per square foot, which is in line with the Washington, DC market. The lease rate will be subject to an annual escalation of 2.5 percent.
- The lease will include at least eleven months of free rent,, plus a tenant improvement allowance of \$105 per square foot to help build out the space for ASU's needs.
- The first full year of unabated rent is approximately \$541,865.
- Upon approval, the following are each separately authorized in the name and on behalf of the Board to take all appropriate actions to finalize negotiations and to sign and deliver all documents and agreements necessary to consummate the transaction described in this Executive Summary, on substantially the terms described herein: the ASU President, ASU Executive Vice President, Treasurer and Chief Financial Officer, and the ASU Assistant Vice President for Real Estate Development, or any successor titles to such positions.

**Committee Review and Recommendation**

The Finance, Capital and Resources Committee reviewed this item at its January 24, 2019 meeting and recommended forwarding to the full board for approval.

**Statutory/Policy Requirements**

- ABOR Policy 7-207(A)(2) requires Board approval for the lease of real property if the initial term and optional renewals are in excess of 120 months or if the total annual base lease amount exceeds \$1,000,000.

**Exhibit A**

Location Map of Leased Premises