

**Addendum #4**  
**The University of Tennessee – Health Science Center**  
**RFP Transaction Number 16-10-017\_2**

**Lease of Property for the development of Residential Multi-Family Housing  
Multiple Parcels, Memphis, Shelby County, Tennessee**

Below are responses to questions submitted by the Written Questions and Comments Deadline.

Please note RFP Section 5, “Proposal Requirements, Evaluation and Lease Award” outlines the evaluation process and how proposers are selected to move into the next phase. This section also outlines the process to negotiate lease terms based on the proposal that is determined to be in the best interest of the University/State.

**General Questions**

1. How many hard copies should be submitted?
  - Please submit six hard copies and one digital copy.
  
2. The Boling Center is a large and heavy concrete structure with extensive asbestos and lead that represents a significant unknown liability to any development proposal. Will the University consider and potentially accept proposals that exclude the Boling Center parcels from the lease?
  - Proposers are not required to utilize the entire acreage included in the Request for Proposals. However, there is a preference for this building to be included in the leased area.
  
3. Are all answers to questions submitted by UTHSC in the previous RFP 16-10-017 still accurate – or will updates, renewed links, access to reports or surveys and previous references to information sources be provided again in Addenda to the current RFP?
  - Responses to the questions have been updated as needed. The questions and the addenda referenced in those responses will be re-posted.
  
4. Will Boling, the other occupied buildings located on the parcels and associated parking stay in operation up until the time demolition begins, or will they be vacated in advance? If vacated, when will that occur?
  - Depending on the schedule for demolition, the buildings can be vacated 2-3 months prior to the demolition work beginning.

**Ground Lease Questions and Comments**

5. Can the documents contain language addressing how the interests of the parties to the agreement should seek to be aligned?
  - The University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation. However, as stated in Section 1.4.6 of the RFP, “The University will not provide guarantees for minimal occupancy levels of the residential multi-family housing development or otherwise financially subsidize the development.”
  
6. Can the construction schedules provided in the initial responses be modified as the financing, demolition and other details unknown at the present time evolve?

- It is anticipated that the schedule provided in the Phase I proposal will be revised as additional information is gathered and the Phase II proposals are submitted. As a part of the finalist negotiation, the schedule will be finalized. However, please note paragraphs 14.c.3 and 14.c.5 of the lease outline the desired construction start date and substantial completion date.
7. Can language be addressed with regard to retail leasing, office space, parking and other items as they may be impacted by the terms of a bond or equity financed project?
    - The permitted uses are defined in paragraph 10 of the lease and allow for residential multi-family housing and incidental uses such as cafes or coffee shops not to exceed 5% of the total square footage constructed, excluding garages. Other uses such as office space are not permitted on the parcels owned by the University. However, there are several privately owned parcels adjacent to this area.
  8. Will the ground lease supersede all discussions reached prior to its execution and override any negotiations prior to that time?
    - Yes, except as noted in the following. Paragraph 1 of the lease notes the RFP and response will be incorporated by reference into the Lease. Where there is a conflict between the terms of the Lease Agreement and/or RFP and the terms of the response to the RFP, the terms of the Lease Agreement shall govern. Paragraph 17.f of the lease states “This Lease constitutes the entire agreement between the parties with respect to the Leased Premises, and all prior negotiations and understandings shall be deemed incorporated herein.”
  9. Will the term of the ground lease agreement be able to be aligned with the financing method chosen?
    - The term of the ground lease will not be extended. However, the University will consider a shorter term if needed.
  10. Will the document allow for a requirement that the parties cooperate in any potential tax exemptions?
    - As a state agency, the University is typically not eligible for tax exemptions. To the extent permitted by law, the University will cooperate with the Tenant provided that the University shall not be obligated to incur any expense in connection therewith.
  11. Assignment provisions in an equity transaction have particular criteria, will those be recognized in the modifications related to assignment.
    - If the assignment provisions outlined in paragraphs 8 and 22 of the lease are not adequate, please provide additional information on the criteria.
  12. Can the language regarding purchase price in assignment situation be addressed at a later date as the financing structure evolves?
    - Yes, the University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation.
  13. Can the default provisions be modified to address issues with regard to termination as a last resort, payment of termination fees net of damages, dispute resolution processes and a default interest rate?

- The University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation.
14. Will the ground lease allow for a section setting a termination fee formula and a method to capture the remaining economic value of the lease at a pre-determined discount rate?
    - If the University terminates due to default by the Tenant, a termination fee would not be paid. The University does not expect to request early termination for other reasons; however, if early termination was requested the terms would be negotiated at that time.
  15. Section 1: Any RFP or RFP response provisions that are intended to govern during the term of the Lease should be included in the body of the Lease in the appropriate sections.
    - The standard state format is to incorporate the RFP and RFP response as an attachment.
  16. Sections 2 and 3: Rent and rent increases for Base and Option Terms should reflect the business understanding of the parties, to be decided during the negotiation period.
    - The rent or other remuneration should be submitted in Phase II and will be negotiated in Phase III, Finalist Negotiation.
  17. Section 4: There should be an inspection period of 120 days from Lease execution during which Tenant must determine whether it can obtain all necessary governmental and other approvals and permits for its development plans and financing.
    - The University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation.
  18. Sections 5 and 6(b): The return condition requirements for the Leased Premises at the end of the Lease term will have to be evaluated based on the agreed rent amounts. More stringent return condition requirements will impact overall Lease economics. If we are ultimately chosen by the University as the best evaluated proposer, during the negotiation period, the parties should discuss the optimal balance of rent versus return condition requirements.
    - The University has a preference to reserve the right to require the removal of all improvements. The University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation.
  19. Section 13: Regardless of the level of damage from a casualty, Tenant should have the opportunity to rebuild and restore the Leased Premises as long as it commences the repair within 90 days after the casualty and completes it within 20 months thereafter, subject to force majeure.
    - The University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation.
  20. Section 22.h: Tenant accepts the concept of delivering the Leased Premises at the expiration of the Lease term free and clear of any deed of trust. However, Tenant does not believe that should be required 5 years prior to the expiration of the Lease term, as Section 22.h. currently provides.
    - The University will consider alternate language submitted in the Phase II proposal and during Phase III, Finalist Negotiation.

Please note any changes to the lease are subject to University and State of Tennessee approvals. Execution of a lease agreement will require State Building Commission approval.