

# **Analysis of Lease Agreements.**

13 November 2012

The parties to this lease are the Commonwealth of Kentucky (the Lessor) for the use and benefit of the University of Louisville, and University medical Center Inc. (the Lessee). KentuckyOne is not a party to the lease documents.

The University makes two incomplete documents available. The first is a 20 page document containing what looks to me like the usual legalese found in any real estate transaction. Additionally, there is a one-page supplement dated the same day that appears to differ only in that it substitutes a description of the original leased premises with another description described on exhibit A which is not provided. [We are not even allowed to know what real estate or buildings are being leased!]

Other than the surprise of not knowing what the documents are talking about, a number of clauses stuck out to my review.

## **University Medical Center Inc. Pays Rent.**

I have never understood why this is necessary. For many years, the hospital has been paying rent to the University. All this does is reduce the hospital's bottom line apparently only to improve the University's. What does the University do with this money? If anyone can explain this to me, I would like to understand.

The amounts are substantial. Through 2016, the monthly rental payments are \$541,000 or 6.5 million dollars yearly. The amounts continue to rise such that by 2031, the rent is \$8 million, and by 2077 the rent is \$12.5 million.

## **Name of the hospital.**

"The leased premises shall be operated under the name "University of Louisville Hospital" and no other name shall be permitted to be used in lieu of or in addition to such name without the prior written consent of the University."

Comment. In the joint operating agreement with Kentucky one, one of the remaining responsibilities of the UMC Board of Directors is to confirm a new name for the hospital. I hereby propose my usual bet of a martini in the Louisville bar of your choice that the new name will be "KentuckyOne Health – University." [No one has ever taken me up on these bets. It could be fun!]

## **Professional and General Liability Insurance.**

The Lessee is required to provide this coverage. I noticed this because KentuckyOne has agreed to provide such insurance, including keeping an option to insure the "Maintained Procedures."

## **Subletting or Assigning.**

"Except as provided herein, lessee shall not assign, ... this Lease without first obtaining the written consent of Lessor and University."

[Those documents were not provided. Has in fact such consent been obtained, or is it being withheld for some reason?]

**University Space.**

"The Commonwealth shall retain for the use and benefit of the University approximately 36,288 ft.<sup>2</sup> of cumulative leasable space in the building known as the James Graham Brown Cancer Center and the Concentrated Care building located on the leased premises (collectively, the "University space").

Comment. I do not know what space is being referred to. The Concentrated Care Building is the hospital itself. This clause may refer to administrative and research space currently being used in those buildings. For some years, University Hospital has not used its full number of licensed beds.

**What Is Being Leased?**

Included in the state-owned real estate on the site is the Ambulatory Care Building. It is there that a number of the clinical departments have their academic offices and where some of the teaching clinics are located. There used to be some private clinic space rented there, but it all may have moved to the private faculty office building that is adjacent to the Ambulatory Care Building. I do not know who legally owns the private office building or if it is included in this lease agreement. At the present time, the University's Women's Health Clinic is in the Ambulatory Care Building and presumably that space and additional space and operating rooms in the hospital building will become part of the discrete unit in which the University will carry out its Maintained (Prohibited) Procedures.

Because much is being made of carving out a hospital-within-a-hospital to deal with medical procedures that are prohibited by the Roman Catholic Church, the actual land and buildings covered by the lease are not unimportant.

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