

MINUTES
STATE BUILDING COMMISSION
Executive Subcommittee
November 25, 2019

The State Building Commission Executive Subcommittee met this day at 11:00 a.m. in House Hearing Room II of the Cordell Hull State Office Building, Nashville, Tennessee, with the following members and Departments present. Secretary Hargett called the meeting to order at 11:01 a.m. and requested action on the following matters as presented by State Architect Ann McGauran.

MEMBERS PRESENT

Tre Hargett, Secretary of State
David Lillard, State Treasurer
Justin Wilson, Comptroller of the Treasury

MEMBERS ABSENT

Stuart McWhorter, Commissioner, Department of Finance and Administration

ORGANIZATION

- Department of General Services
- State Building Commission

PRESENTER

Deputy Commissioner John Hull
State Architect Ann McGauran

OTHER PARTICIPANTS

David Gerregano, Commissioner of Revenue

CONSENT AGENDA

Approved the following items which have been reviewed and recommended for approval by Subcommittee staff:

- A. Agency: **University of Tennessee Health Science Center**
Transaction: Disposal – Lease Amendment
Provision(s): n/a

- B. Agency: **University of Tennessee Health Science Center**
Transaction: Disposal – Lease (Space)
Provision(s): Waiver of advertisement and appraisals

- C. Agency: **Department of Environment and Conservation**
Transaction: Acquisition – Fee (Gift, Third Party)
Provision(s): Waiver of advertisement and one appraisal

- D. Agency: **Department of General Services**
Transaction: Acquisition – Lease Amendment
Provision(s): Waiver of advertisement

DEPARTMENT OF GENERAL SERVICES

Disposal – Lease (Space)

Requested Action: Approval of disposal by lease with waiver of advertisement and appraisals

Transaction Description: Transaction No. 19-10-009

- **Proposed Lease:**
- **Location:** Tennessee Preparatory School
Davidson County – 22,800 sf – Menzler Quad units 1-4, Sills Quad units 1 and 4 Foster Avenue, Nashville, TN
- **Tenant:** 4:13 Strong, Inc.
- **Term:** February 1, 2020 to January 31, 2023
- **Area / Costs:** 6 units for \$4,085 per month total

- **Current Lease**
 - **Location:** Tennessee Preparatory School
Davidson County – 22,800 sf – Menzler Quad units 1-4, Scott Quad units 1 and 4 Foster Avenue, Nashville, TN
 - **Tenant:** 4:13 Strong, Inc.
 - **Term:** February 1, 2019 – January 31, 2020
 - **Area / Costs:** 6 units for \$8,550 per month total

Comment: 4:13 Strong is the current tenant and a nonprofit organization. 4:13 Strong is a residential program providing training, skills and job placement for at-risk men. They or their predecessor, Y-Build, have been in occupancy at Tennessee Preparatory School (TPS) since 2009 under various agreements. Waiver of advertisement is requested because of the program's mission and tenure at this location.

The State is relocating the tenant from Scott quad (units 1 and 4) to Sills quad (units 1 and 4). In consideration of this relocation, the rent has been adjusted to \$2.15 psf. This allows the tenant, during the term of the lease, to recoup costs of move and repairs totaling \$160,000. The Tenant is responsible for janitorial and routine maintenance; and the State is responsible for the cost of all utilities, landscaping and other maintenance and repairs to the Leased Premises.

This proposed lease will not negatively impact the State's operations.

The State may terminate this agreement at any time by providing 90 days written notice to the tenant.

Date of Last Transfer: July 15, 1921
Purchase Price: N/A
Square Footage Improvements: 22,800

Minutes: 11/25/2019 Approved disposal by lease with waiver of advertisement and appraisals

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: Approval of waiver of advertisement

Transaction Description: Transaction No. 19-01-902

- **Proposed Lease**

- **Location:** 180 Newport Center Drive, Suite 250, Newport Beach, CA 92660
- **Landlord:** 180 Investors, LLC
- **Term:** 5 years

- **Current Lease**

- **Location:** 180 Newport Center Drive, Suite 250, Newport Beach CA 92660
- **Landlord:** Newport Center Drive Holdings, LLC
- **Term:** 5 years (January 1, 2015 – December 31, 2019)
- **Area / Costs:** 1,588 Square Feet

Annual Contract Rent (includes utilities and janitorial)	\$55,094.07	\$34.69/sf
Total Average Annual Effective Cost	<u>\$55,094.07</u>	<u>\$34.69/sf</u>

- **Source of Funding:** Agency Operating Funds
- **FRF Rate:** Not applicable

Comment: This lease will provide office space for Department of Revenue that is utilized by Tennessee state auditors. The audit division performs field audits of taxpayers to ensure proper compliance with Tennessee tax laws as well as process claims for refunds. Many substantial corporations are located in the west coast region, with this location being most central to a majority of the department's clients. Due to the location and responsibilities of this office, Revenue would like to remain in its present location for another 5 year term. Based on an analysis of other local rental rates, the current location presents a reasonable rate compared to the local market and remaining in this location will allow the agency to continue its mission to ensure proper taxes are remitted to TN from the entities they audit within the seven state region of Arizona, California, Idaho, Nevada, Oregon, Utah, and Washington.

Waiver of advertisement is requested based on the special and unique considerations of this location.

Minutes: 11/25/2019 Deputy Commissioner Hull introduced Commissioner Gerregano of Revenue. Comptroller Wilson asked why this has to be in Newport Beach. Commissioner Gerregano stated that they do not have to be in Newport Beach but would like to be in that region so as not to lose the experienced auditors. Comptroller Wilson stated that he is concerned about the almost \$35 sq. ft. rental rate and asked if their plan is to remain in the same location long term. Commissioner Gerregano stated that they plan on staying there for the time being and mentioned that the lease is about to expire and there isn't a holdover clause. Commissioner Gerregano stated that their expectation is to remain there with a termination for convenience clause and then proceed with a competitive process.

Secretary Hargett asked Deputy Commissioner Hull if he had any thoughts to share. Deputy Commissioner Hull stated that due to the type of lease and the fact that the Department needs to be generally in this location, he is supportive of negotiating with the landlord at this time. The Department of

General Services would like to work with the Department of Revenue to go through a competitive procurement process and will ask the landlord to keep a termination for convenience clause in the 90 to 120 day range. Secretary Hargett asked to clarify when they stated "need to be there" doesn't necessarily mean that specific location. Deputy Commissioner Hull stated that for now they need to stay in that particular location but not for the future. The Department of Revenue would need to let them know what the broad area is that they would want to advertise in.

Secretary Hargett asked how many employees are in the location. Commissioner Gerregano stated that there are seven total employees, five auditors and two staff.

Secretary Hargett reluctantly moved for approval and Comptroller Wilson reluctantly seconded the motion.

Treasurer Lillard stated that the space is not large and the rate is not outlandish for California.

Secretary Hargett stated that with the size of the office the agents are not in the office all day. Commissioner Gerragano stated that the auditors are in the field a lot of the time and only in the office 25-50% of the time and the staff 100% of the time.

The Subcommittee approved waiver of advertisement.

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: **Approval of a lease**

Transaction Description: Transaction No. 17-10-903 and 17-10-904

● **Proposed Lease**

- **Location:** Hardeman County – 795 Tennessee Street, Bolivar, TN
- **Landlord:** D & O Management, Co. a Tennessee Partnership
- **Term:** 7 years
- **Area / Costs:** 8,500 Square Feet

Annual Contract Rent (includes utilities and janitorial)	\$121,125.00	\$14.25/sf
Annual Effective Cost	\$121,125.00	\$14.25/sf

● **Current Lease**

- **Location:** Hardeman County – 795 Tennessee Street, Bolivar, TN
- **Landlord:** David Deberry
- **Term:** 10 years (October 1, 2005 to September 30, 2015) (Holdover)
- **Area / Costs:** 11,025 Square Feet

Annual Contract Rent	\$99,225.00	\$9.00/sf
Estimated Utilities Cost	15,435.00	1.40/sf
Estimated Janitorial Cost	12,127.50	1.10/sf
Total Annual Effective Cost	\$126,787.50	\$11.50/sf

- **Source of Funding:** FRF Operating Funds
- **Procurement Method:** LPR on template
- **FRF Rate:** \$14.00

Comment:

This lease will provide office space for the Department of Human Services (DHS) and the Department of Children's Services (DCS). Alternative Workplace Solutions will be implemented at this location. Three proposals from three proposers were received and evaluated. The incumbent location is recommended because of its proximity to the county courthouse and other governmental offices though it was not the lowest cost proposal. The low cost proposal is approximately 11 miles from the county seat and may potentially create unintended challenges to those needing DCS services and transportation to and from the office and other centrally located government services. It will also result in both increased DCS transportation costs between the office and the courthouse as well as decrease the operating efficiency of this office due to longer drive times. The proposed lease location will be renovated to meet the State's needs.

The tenant may not terminate this lease for convenience at any time within the first 60 months of the lease term. The tenant may terminate this lease at any time after 60 months by giving 90 days written notice to the landlord.

Based on a review of the financial aspects, occupancy requirements, and market indicators, this lease is deemed to be in the state's best interest at this time.

The CBRE, Inc. commission is \$11,658.28 for the base 7-year term.

Minutes:

11/25/2019 Deputy Commissioner Hull stated that this is not the low cost proposer because of location. Secretary Hargett noticed that the annual cost will be roughly the same but decreasing the footprint by 20%. Deputy Commissioner Hull confirmed that is correct and stated that they will save over \$250,000 over seven years because of the reduced footprint at the new rate. Secretary Hargett commented that "saving" was not completely accurate since they are getting a lot less space.

The Subcommittee approved the lease.

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: Approval of a lease

Transaction Description: Transaction No. 17-10-924 and 17-10-925

• **Proposed Lease**

- **Location:** Meigs County – 17209 Highway 58, Decatur, TN
- **Landlord:** Willow Park Properties
- **Term:** 10 years
- **Area / Costs:** 5,234 Square Feet

Annual Contract Rent	\$86,099.30	\$16.45/sf
Estimated Utilities Cost	9,159.50	1.75/sf
Estimated Janitorial Cost	5,757.40	1.10/sf
Annual Effective Cost	\$101,016.20	\$19.30/sf

• **Current Lease**

- **Location:** Meigs County – 17619 Highway 58, Decatur, TN
- **Landlord:** Decatur Properties, GP
- **Term:** 10 years (December 1, 2006 to November 30, 2016) (Holdover)
- **Area / Costs:** 5,520 Square Feet

Annual Contract Rent	\$58,890.00	\$10.67/sf
Estimated Utilities Cost	7,728.00	1.40/sf
Estimated Janitorial Cost	6,072.00	1.10/sf
Total Annual Effective Cost	\$72,690.00	\$13.17/sf

- **Source of Funding:** FRF Operating Funds
- **Procurement Method:** LPR on template
- **FRF Rate:** \$14.00

Comment: This lease will provide office space for the Department of Human Services and the Department of Children's Services. Three proposals from three proposers were received; however one was disqualified. Alternative Workplace Solutions has been implemented at this location. The proposed new location will be renovated to meet the State's needs.

The State may terminate this lease for convenience at any time with 120 days written notice to the landlord and payment of a termination fee.

Based on a review of the financial aspects, occupancy requirements, and market indicators, this lease is deemed to be in the state's best interest at this time.

Previous Report: 01/24/2005 ESC Approved lease agreement

Minutes: 11/25/2019 Approved a lease

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: **Approval of a lease**

Transaction Description: Transaction No. 17-01-911

● **Proposed Lease**

- **Location:** Smith County – Upper Ferry Road, Carthage, TN
- **Landlord:** Susan A. Cox
- **Term:** 7 years with three 1-year renewal options
- **Area / Costs:** 6,500 Square Feet

Annual Contract Rent (includes utilities and janitorial)	\$143,390.00	\$22.06/sf
Total Annual Effective Cost	\$143,390.00	\$22.06/sf

● **Current Lease**

- **Location:** Smith County – 117 Eatherly Landing Road, Carthage, TN
- **Landlord:** Paul Gaw General Partners
- **Term:** 10 years (May 1, 2007 to April 30, 2017) (Holdover)
- **Area / Costs:** 7,000 Square Feet

Annual Contract Rent	\$87,504.00	\$12.50/sf
Estimated Utilities Cost	9,800.00	1.40/sf
Estimated Janitorial Cost	7,700.00	1.10/sf
Total Annual Effective Cost	\$105,004.00	\$15.00/sf

- **Source of Funding:** FRF Operating Funds
- **Procurement Method:** LPR on template
- **FRF Rate:** \$14.00

Comment:

This lease will provide office space for the Department of Children’s Services. Three proposals from three proposers were evaluated. The reduction in space needs is a result of implementation of Alternative Work Solutions at this location. The proposed location will be constructed to meet the State’s needs.

Rent does not increase during the renewal terms. The tenant may not terminate this lease for convenience at any time within the first 60 months of the lease term. The tenant may terminate this lease at any time after 60 months by giving 90 days written notice to the landlord.

Based on a review of the financial aspects, occupancy requirements, and market indicators, this lease is deemed to be in the state’s best interest at this time.

The CBRE, Inc. commission is \$27,602.58 for the base 7-year term, and if all renewal options are exercised the commission will be \$33,517.41.

Minutes: 11/25/2019 Approved a lease

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: Approval of waiver of advertisement

Transaction Description: Transaction No. 19-05-914

- **Proposed Lease**

- **Location:** Knox County – Knoxville
- **Landlord:** TBD
- **Term:** 5 years
- **Area / Costs:** 5,000-7,500 sf

Annual Contract Rent:	TBD	TBD
Estimated Annual Utility Cost:	TBD	TBD
Estimated Annual Janitorial Cost:	TBD	TBD
Total Average Annual Effective Cost:	TBD	TBD

- **Source of Funding:** FRF Operating Funds

- **FRF Rate:** \$18.00

Comment:

This lease will provide space for the Department of Safety and Homeland Security Tennessee Advanced Communications Network (TACN) radio and communication installation facility. The TACN is responsible for the installation and maintenance of communication equipment on Tennessee Highway Patrol (THP) cars. In addition to the THP vehicle communications responsibilities, in July 2018, the Tennessee Department of Environment and Conservation (TDEC) vehicle communications responsibilities were shifted from TDEC to the TACN including State Parks ranger vehicles and the remote communications sites that service the Parks. TACN is also continuing to absorb additional work from other State agencies for their communication needs which has resulted in a much larger real estate requirement for this need than can be accommodated at the existing location. Additionally, the space must be temperature controlled due to the nature of the radio equipment; and the vehicle bays require adequate height and depth to allow sufficient clearance for the vehicles.

Based upon market reviews of Knox County and immediately surrounding areas, there are few locations available that suit these unusual specifications and two that have been identified were acquired by other tenants before the State was able to secure either option. The space requirements and current market conditions in the Knox County area justify the waiver of advertisement based upon the special and unique needs of this request.

Minutes:

11/25/2019 Deputy Commissioner Hull stated that they have tried twice to get a location but were not successful and therefore are asking for a waiver of advertisement in order to secure a location as soon as an appropriate one is identified.

The Subcommittee approved waiver of advertisement.

STATE BUILDING COMMISSION

Minutes of Executive Subcommittee Meeting

- 1) Approved the Minutes of the Executive Subcommittee meeting held on October 31, 2019.

Report of Items Submitted to the ESC

- 1) Status Update Reports from the State Procurement Agencies in accordance with SBC Policy & Procedures Item 2.03.
- 2) **Quarterly Status Report** of current projects in the Transportation Improvement Programs in accordance with the requirements of the "Transportation Reporting Act of 2001".

Designer Selections

- The following designer selections represent projects approved by the State Building Commission and recommended by the State Procurement Agencies. Secretary Hargett stated that, while they used the normal criteria in determining final selections including maintaining the geographical balance, current work capacity, and quality and quantity of workload over past several years, it was still primarily a process driven by the individual agencies.

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| 1) East Tennessee State University
(Buc Ridge Buildings P&Q HVAC Upgrades Phase II)
Total Project Budget: \$900,000
SBC Project No. 369/005-06-2019
Designer: MBI COMPANIES INC | 2) Middle Tennessee State University
(ADA Compliance)
Total Project Budget: \$170,000
SBC Project No. 366/009-15-2019
Designer: THE ARCHITECT WORKSHOP PLLC |
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Other Business

There being no further business, the meeting adjourned at 11:12 a.m.

UNIVERSITY OF TENNESSEEDisposal - Lease Amendment

Requested Action: Approval of a lease amendment

Transaction Description: Transaction No. 19-11-913

- **Proposed Amendment**

- **Term:** December 12, 1979 – December 11, 2020

- **Current Lease**

- **Location:** University of Tennessee – Health Science Center

Shelby County – 0-842 Jefferson Avenue, Memphis, TN

- **Tenant:** County of Shelby and Shelby County Health Care Corporation dba Regional One Health

- **Term:** December 12, 1979 – December 11, 2019

- **Area / Costs:** 211,326 +/- square feet on 3.40 +/- acres; see comment below

Comment:

In 1979, the University leased a hospital facility on approximately 3.4 +/- acres to the County of Shelby and the Memphis and Shelby County Hospital Authority. Shelby County Health Care Corporation was formed in 1981 and is successor in interest to the Memphis and Shelby County Hospital Authority, a non-profit public corporation, dba Regional One Health.

Regional One Health continues to operate the facility. The University requests approval to extend the lease for one year to provide additional time to prepare a new agreement. The lessee is responsible for maintenance, utilities and janitorial. All other terms and conditions remain the same. Advertisement is not required since the Tenant is a governmental entity.

Annual payments are based on depreciation and other factors using a Medicare provided reimbursement formula.

Minutes: 11/25/2019 Approved a lease amendment

UNIVERSITY OF TENNESSEEDisposal – Lease (Space)

Requested Action: Approval of disposal by lease with waiver of advertisement and appraisals

Transaction Description: Transaction No. 19-11-912

- **Location:** University of Tennessee – Health Science Center (UTHSC)
Shelby County – 70 N. Pauline Street, Memphis, TN
- **Tenant:** Crisis Center, Inc. (aka, Memphis Crisis Center)
- **Term:** December 1, 2019 – November 30, 2024 with One (1) five (5) option to extend
- **Area / Costs:** 3,207 +/- sf / \$10.00 per year

FRF Rate: \$20.00/sf (for reference only)

Comment: The University proposes to lease the space to Crisis Center, Inc., also known as the Memphis Crisis Center. UTHSC has been partnering with the Center since 2014 to help raise awareness of the services provided by placing billboards around the Memphis area and providing space for use as a training and call center. The Memphis Crisis Center is a non-profit, independent agency of the United Way of the mid-South.

The University will be responsible for maintenance and utilities. Either party may terminate with 120 days-notice. Due to the public benefit, waiver of advertisement and appraisals is requested.

Minutes: 11/25/2019 Approved disposal by lease with waiver of advertisement and appraisals

DEPARTMENT OF ENVIRONMENT AND CONSERVATIONAcquisitions – Fee (Gift; Third Party)

Requested Action: Approval of acquisitions in fee and to utilize a third party with waiver of advertisement and one appraisal

Transaction Description 1: Transaction No. 19-08-010

- **Location:** Radnor Lake State Park (RLSP)
Davidson County – 16.68 ± acres – (6 Tracts) 5052 Lakeview Drive, 802 & 804 Old Hickory Boulevard, 917 Green Valley Drive, 865 Lakemont Drive, and 1057 Parkwood Terrace, Nashville, TN
- **Owner(s) 1:** Friends of Radnor Lake (FORL)
- **Estimated Purchase Price:** Gift
- **Source of Funding:** FORL (REM Fees) (O)

Transaction Description 2: Transaction No. 19-08-005

- **Location:** Radnor Lake State Park (RLSP)
Davidson County – 11.50 ± acres, 5000 Clonmel Road, Nashville, TN
- **Owner(s) 2:** Alexander Willis and Ragan Willis
- **Estimated Purchase Price:** Fair Market Value
- **Source of Funding:** Federal Grant (LWCF) (F)
FORL (O)
- **Third Party:** FORL

Comment: Transaction # 19-08-010 will expand and protect the boundary of RLSP. Five of the six parcels are contiguous with RLSP. The structure at 1057 Parkwood Terrace will be demolished by FORL prior to acquisition by the State. In addition to the land donation, FORL will provide cash to help offset transaction costs and renovate the structure at 5052 Lakeview Drive for use as a residence/office. To the extent not covered by the FORL cash donation, TDEC will maintain this structure using existing operational funds.

Transaction # 19-08-005 will acquire a portion of the Willis Tract to expand and protect the boundary of RLSP. This acquisition will be from federal funds, and the required 50% match will be satisfied by the gifted property in 19-08-010 and cash donations from FORL.

No additional third party costs are requested as a part of this transaction.

No additional management costs are anticipated with this acquisition.

Donation Parcels:

Date of Last Transfer:	5052 Lakeview Drive December 21, 2009 (1.37 ± acres)
Purchase Price:	\$0
Property Assessor's Value:	\$550,900
Square Footage Improvements:	2,058 sf house (1952; to be used as residence/office)

Date of Last Transfer: 802 & 804 Old Hickory Boulevard
December 20, 2017 (5.30 ± acres; 5.40 ± acres)
Purchase Price: \$560,000 (both parcels)
Property Assessor's Value: \$340,400; \$129,600
Square Footage Improvements: N/A

Date of Last Transfer: 917 Green Valley Drive; 865 Lakemont Drive
March 29, 2017 (1.61 ± acres; 1.15 ± acres)
Purchase Price: \$320,000 (both parcels)
Property Assessor's Value: \$168,800; \$168,800
Square Footage Improvements: N/A

Date of Last Transfer: 1057 Parkwood Terrace
May 4, 2018 (1.85 ± acres)
Purchase Price: \$760,000
Property Assessor's Value: \$362,500
Square Footage Improvements: 2,879 sf house (1955; to be demolished by FORL)

Acquisition Parcel: Date of Last Transfer: 5000 Clonmel Road, Nashville, TN
February 4, 2013
Purchase Price: \$916,650 (larger tract)
Property Assessor's Value: \$1,909,600 (larger tract)
Square Footage Improvements: 4,192 sf house (1979, not included in acquisition)

Minutes: 11/25/2019 Approved acquisitions in fee and utilizing a third party with waiver of advertisement and one appraisal

DEPARTMENT OF GENERAL SERVICESAcquisition - Lease Amendment

Requested Action: Approval of a lease amendment with waiver of advertisement

Transaction Description: Transaction No. 08-01-908

- **Proposed Amendment**

○ Landlord:	John Jeffrey Knox		
○ Term:	13 years (January 1, 2010 – December 31, 2022)		
○ Area / Costs:	<u>7,100 Total Square Feet</u>		
	Annual Contract Rent:	\$51,475.00	\$7.25/sf
	Estimated Annual Utility Cost:	12,425.00	1.75/sf
	Estimated Annual Janitorial Cost:	7,810.00	1.10/sf
	Total Average Annual Effective Cost:	<u>\$71,710.00</u>	<u>\$10.10/sf</u>

- **Current Lease**

○ Location:	Maury County - 2506 Pillow Drive, Suites A & B, Columbia, TN		
○ Landlord:	Knox and Knox Investments		
○ Term:	10 years (January 1, 2010 – December 31, 2019)		
○ Area / Costs:	<u>7,100 Square Feet</u>		
○ Current:	Annual Contract Rent:	\$51,475.00	\$7.25/sf
	Estimated Annual Utility Cost:	9,940.00	1.40/sf
	Estimated Annual Janitorial Cost:	7,810.00	1.10/sf
	Total Average Annual Effective Cost:	<u>\$69,225.00</u>	<u>\$9.75/sf</u>

- **Source of Funding:** FRF Operating Funds

- **FRF Rate:** \$18.00

Comment: This lease will provide office space for the Department of Correction.

This amendment is in the best interest of the State to prevent a lease holdover while allowing additional time to evaluate how to best meet programmatic needs in support of the Agency's real estate strategy.

Based on a review of the financial aspects, occupancy requirements and market indicators, this lease is deemed to be in the State's best interest at this time.

Previous Report: 12/22/2008 ESC Approved lease agreement

Minutes: 11/25/2019 Approved a lease amendment with waiver of advertisement

Approved:



Tre Hargett
Secretary, State Building Commission Executive Subcommittee
Secretary of State