

MINUTES
STATE BUILDING COMMISSION MEETING
EXECUTIVE SUB-COMMITTEE

APRIL 21, 2003

10:30 A.M.

The State Building Commission Executive Sub-committee met this day in the Executive Conference Room of the State Capitol, Nashville, Tennessee.

STATE BUILDING COMMISSION SUB-COMMITTEE MEMBERS PRESENT

Dave Goetz, Commissioner, Department of Finance and Administration
Steve Adams, State Treasurer
Riley Darnell, Secretary of State
John Morgan, Comptroller of the Treasury

OTHERS PRESENT

Mike Fitts, State Architect
Georgia Martin, Department of Finance and Administration
Larry Kirk, Department of Finance and Administration
Charles Garrett, Department of Finance and Administration
Gloria Rittenberry, Department of Finance and Administration
Genie Whitesell, Attorney General's Office
Dennis Raffield, Tennessee Higher Education Commission
Jerry Preston, Tennessee Board of Regents
Karen Hale, Comptroller's Office
Pat Haas, Comptroller's Office
Rep. Judd Matheny
David Patton, Holiday Landing
Kim Kirk, Department of Environment and Conservation

Monty Adams, Franklin County Executive
Philisa Bennett, Department of Environment and Conservation
Tom Callery, Department of Environment and Conservation
Commissioner Betsy Child, Department of Environment and Conservation
Patricia Leach, The Hermitage
John Leach, The Hermitage
Charles Harrison, Comptroller's Office

Commissioner Goetz called the meeting to order at 10:39 a.m. and requested action on the following matters as presented by State Architect Michael A. Fitts.

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TENNESSEE BOARD OF REGENTS

UNIVERSITY OF MEMPHIS, MEMPHIS, TENNESSEE

- 1) Approved a request for a change and acknowledgment of the sources of funding for **Meeman Biological Field Station Quarters** at the University of Memphis in Memphis, Tennessee.

Estimated Project Cost:

\$ 721,000.00

SBC Project No. 166/007-06-2002

TENNESSEE BOARD OF REGENTS

LAND ITEM

Review of a request for APPROVAL to OBTAIN TITLE WORK, APPRAISAL, SURVEY, and EXERCISE OPTION to ACQUIRE or ACCEPT as GIFT, required interest in the following real property, not to exceed the appraised value for the property being acquired:

- Description: **Shelby County – 1.67 +/- Acres with 46,037 SF Building – 499 Patterson and Mynders Avenue, Memphis, TN – Trans. No. 03-03-012 (LW)**
- Purpose: Acquisition in Fee of property located in the University of Memphis Master Plan for expansion. The facility will be used for classrooms, offices, day care center, and additional parking.
- Source of Funding: University of Memphis – Unrestricted Auxiliary Operation Funds
- Estimated Cost: Fair Market Value
- Estimated Value: \$800,000.00
- Owner(s): Prescott Memorial Baptist Church
- SSC Report: 04-14-03. Jerry Preston summarized the transaction and stated no maintenance and operating funds will be needed. He stated the site is 100 percent education and general teaching lab space. Dennis Raffield, THEC, advised concurrence with the project. Staff referred to Sub-committee with recommendation.
- SC Action: 04-21-03. Charles Garrett summarized the transaction. Sub-committee approved the transaction as requested. Final action.

DEPARTMENT OF ENVIRONMENT & CONSERVATION

LAND ITEM

Review of a request for APPROVAL of the following LEASE AMENDMENT of interest in real property with WAIVER of ADVERTISEMENT and APPRAISALS as required by TCA 4-15-102 and 12-2-112.

- Description: **Franklin County – Tims Ford Reservoir Marina – Trans. No. 01-06-002 (GM)**
- Purpose: Lease Amendment No. 1 to allow on-site sale of alcohol/beer in the restaurant only. All other terms and conditions remain in full force and effect.
- Term: Expires August 31, 2021
- Consideration: 2.5 % - Gross Receipts
- Lessee: Holiday Landing & Resort, Inc.
- SSC Report: 04-14-03. Charles Garrett summarized the request. He stated the Lessee's restaurant facility is outside the boundaries of the State Park. Ms. Kim Kirk, agency legal counsel, advised that the Lessee requested a modification to the lease that prohibits the sale of alcohol/beer at the facility. She stated the Department reviewed the request and recommends the modification. She also advised that the amendment will include indemnification language specific to the alcohol/beer issue. Ms. Kirk advised that the Lessee has made capital improvements to the facility and has received its beer permit from the Franklin County Beer Board. Staff asked if the Department was rethinking its policy regarding alcohol at State Parks. Ms. Kirk again advised that the Lessee's facility is not within the boundaries of the Park. Jim Fyke, Deputy Commissioner, stated that there will be further discussion regarding the Department's policy. Staff referred to Sub-committee for discussion.
- SC Action: 04-21-03. Charles Garrett summarized the transaction and advised that the Marina is not within the Park boundaries. Mr. Garrett introduced David Patton, Holiday Landing & Resort. Mr. Patton was recognized and stated that the sale of beer was an important piece of the puzzle but not the only piece. He stated capital improvements of approximately \$1 million were made to include additional slips, gas pumps, and full service restaurant. Sub-committee recognized the Franklin County Executive, Mr. Monty Adams. Mr. Adams stated the County Commission supported the project, and issued a beer license. He stated taxes generated would benefit the county. Senator Cooper stated his support for the project. Chairman Goetz recognized Representative Judd Matheny from Tullahoma. Larry Kirk advised the amendment as written incorporates liquor and beer sales. Commissioner Child stated the Department will be reviewing the policy regarding sale of alcohol at State Parks. Sub-Committee approved the transaction as requested. Final action.

DEPARTMENT OF ENVIRONMENT & CONSERVATION

LAND ITEM

Review of a request for APPROVAL of the following DISPOSAL by LEASE of interest in real property with WAIVER of ADVERTISEMENT AND APPRAISALS as required by TCA 4-15-102 and 12-2-112.

Description: Davidson County - 460 +/- Acres - The Hermitage, Shute Lane, Nashville, TN - Trans. No. 03-03-010 (LW)

Purpose: Disposal by Sub-Lease to provide for the preparation, planting, and harvesting of crops and done in such a manner as to preserve the historic integrity of the site.

Term: Four (4) Years

Consideration: \$95.00 Per Acre

Lessee: David Buck

Comment: The subject property is currently under lease to the Ladies Hermitage Association. The sub-lease will not transfer ownership but will only allow for agricultural use of the land until completion of the Master Plan for The Hermitage is complete.

SSC Report: 04-14-03. Charles Garrett advised that the agency has a negotiated lease for farming purposes on the subject property and requests Waiver of Advertisement and Appraisals. Mr. Garrett introduced Ms. Robin Merritt, representing the Ladies Hermitage Association (LHA). Ms. Merritt gave a history of lands in the Andrew Jackson Farm Trust and summarized the transaction. She stated the lease was effective February 1, 2003 for four years and that the Lessee has begun planting a wheat crop. After further review, Staff referred to Sub-committee for discussion.

SC Action: 04-21-03. Charles Garrett summarized the transaction. He stated the average is \$59.80 per acre for agricultural leases. He stated that although the LHA did not follow State procedures it is recommended the request be approved. Sub-committee approved the transaction as requested. Final action.

DEPARTMENT OF HEALTH

WEST TENNESSEE REGIONAL HEALTH FACILITY, JACKSON, TENNESSEE

- 1) Approved a request to utilize Commissioning Services on a project for the **Laboratory Renovation** at the West Tennessee Regional Health Facility, Jackson, Tennessee.

Estimated Project Cost: \$3,460,000.00
SBC Project No. 408/005-01-02

STATE BUILDING COMMISSION

BY-LAWS, POLICY AND PROCEDURES OF THE STATE BUILDING COMMISSION

- 1) Recommended to the State Building Commission the following proposed policy regarding funding employee labor cost for capital projects.

Article II, Section 24 of the Tennessee Constitution provides that:

No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be authorized for the current operation of any state service or program, nor shall the proceeds of any debt obligation be expended for a purpose other than that for which it was authorized.

It is the constitutional directive that operating expenses be paid from current dollars. This policy is concerned with preventing operating expenses from being disguised as capital expenses, in violation of the constitutional provision. Additionally, this policy is concerned with management practices which circumvent the controls imposed by the budget process.

At times, a governmental entity determines that certain activities related to capital projects are better accomplished utilizing employee labor, rather than contracting externally for the services. This determination may be based on price or on programmatic concerns (least disruptive alternative). For purposes of this policy, the motivation for such determination will not be considered. It is acknowledged that some costs that pursuant to federal tax law could be financed with tax-exempt debt proceeds will be excluded from debt financing in order to avoid abuses.

No budgeted operational expenditures (including employee labor cost) shall be reimbursed with debt proceeds unless such debt is issued pursuant to TCA 9-10-101 as tax revenue anticipation notes. This policy applies to proceeds of all state debt, whether issued by the State Funding Board, the Tennessee State School Bond Authority, or any other state debt issuer.

MINUTES OF MEETING OF STATE BUILDING COMMISSION

- 1) Approved the Minutes of the State Building Commission Executive Subcommittee meeting held on March 24, 2003.

Following approval of the Consent Agenda, the meeting adjourned at 10:55 a.m.

CONSENT AGENDA

Approved the following real property transactions that have been reviewed and recommended for approval by Sub-committee staff:

- A. Agency: **Department of Correction – Davidson County**
Transaction: Disposal by Lease
Provision: Waiver of Appraisals

- B. Agency: **Department of Correction – Davidson County**
Transaction: Disposal in Fee
Provision: Waiver of Advertisement

- C. Agency: **TN Wildlife Resources Agency – Davidson County**
Transaction: Disposal by Lease
Provision: Waiver of Advertisement and Appraisals

- D. Agency: **Finance & Administration – Hardin County**
Transaction: Lease Agreement – Human Services & Children's Services

DEPARTMENT OF CORRECTION

LAND ITEM

Review of a request for APPROVAL of the following DISPOSAL by LEASE of interest in real property with WAIVER of APPRAISALS as required by TCA 4-15-102 and 12-2-112.

Description: Davidson County – 322 +/- Acres – Cockrill Bend Prison Site – Trans. No. 03-03-004 (BM)

Purpose: Disposal by Lease for private farming purposes without security risk to State facilities.

Term: Ten (10) years with six (6) months cancellation

Consideration: Highest Bid

Lessee: Highest Bid

SSC Report: 04-14-03. Charles Garrett summarized the transaction. Staff referred to Sub-committee for consent agenda.

SC Action: 04-21-03. Sub-committee approved as presented. Final action.

DEPARTMENT OF CORRECTION

LAND ITEM

Review of a request for APPROVAL of the following DISPOSAL of interest in real property with WAIVER of ADVERTISEMENT as required by TCA 4-15-102 and 12-2-112:

Description: Davidson County – 4.31 +/- Acres – Cockrill Bend Prison – Trans. No. 03-03-003 (BM)

Purpose: Disposal in Fee to the only adjoining property owner for assemblage purposes and is surplus to agency's need.

Original Cost to State: \$85.00 Per Acre

Date of Original Conveyance: 1913

Grantor Unto State: N. Baxter, Jr.

Estimated Sale Price: Fair Market Value

Estimated Value:

Grantee: MMA of Tennessee, LLC
Mark Cohen, President

SSC Report: 04-14-03. Charles Garrett summarized the transaction. Staff recommended that the appraisal reflect market value for assemblage purposes. Staff referred to Sub-committee for consent agenda subject to a report back on the appraised value before closing on the sale.

SC Action: 04-21-03. Sub-committee approved as presented. Final action.

TENNESSEE WILDLIFE RESOURCES AGENCY

LAND ITEM

Review of a request for APPROVAL of the following DISPOSAL by LEASE of interest in real property with WAIVER of ADVERTISEMENT and APPRAISALS as required by TCA 4-15-102 and 12-2-112.

Description: Davidson County – 49.0 +/- Acres – Murfreesboro Road, Nashville, TN – Trans. No. 02-11-001 (CH)

Purpose: Disposal by lease to provide wetland education and wildlife viewing and development of an area for recreational purposes (such as rugby and soccer fields).

Term: Thirty (30) Years with a 30-year Renewal Period and (6) months Cancellation

Consideration: \$1.00

Lessee: Metropolitan Nashville Board of Parks and Recreation

Comment: Lessee will be responsible for all upkeep and development of the property.

SSC Report: 11-18-02. Staff referred to Sub-committee for discussion.

SC Action: 11-25-02. Charles Garrett summarized the transaction. Sub-committee approved the transaction as recommended. Final action.

Comment: Request to REVISE PREVIOUS APPROVAL. Due to Federal Transportation fund requirements, Metropolitan Nashville Government (Metro) requests that there be a no cancellation provision for the Mill Creek Bottoms lease for at least 10 years. Therefore, Metropolitan Nashville Board of Parks and Recreation is requesting a 20 year lease term, renewable at 10 year intervals. Also a portion of the tract will be sub-leased to the Tennessee Rugby Foundation at some future date. Finance and Administration recommends that the property revert at the State's option if there have been no significant improvements made to the property within 3 years, or Metro provides to the State a detailed plan for Mill Creek Bottoms Greenway Project and the use of the remainder property. This plan should provide the layout of the greenway, funding and be date specific when the project will be completed. No sub-lease is to take place between Metro and the Tennessee Rugby Foundation until the Foundation has been successful in acquiring its non-profit status and has a defined plan and financing for making rugby field improvements to the remainder of the property.

SSC Report: 04-14-03. Charles Garrett summarized the request to Revise the Previous Approval. He advised that the revised request is for a twenty year lease, renewable at 10 year intervals. John Gregory stated that no monies would change hands, no development would take place in the floor plain area, and development for the rugby fields would be borne by the Rugby Foundation. He stated the Rugby Park would be open to the public. Staff referred to Subcommittee for consent agenda.

SC Action: 04-21-03. Sub-committee approved as presented. Final action.

DEPARTMENT OF FINANCE AND ADMINISTRATION

LEASE AGREEMENT

Review of a request for APPROVAL of the following LEASE AGREEMENT for the rental of real property as required by TCA 12-2-115:

Location: Hardin County – 2100 Wayne Road, Savannah, TN – Trans. No. 02-04-919 (TH)

Purpose: To provide office and related space for the Departments of Human Services and Children's Services local operations.

Term: December 1, 2003 thru November 30, 2013 (10 yrs.)

Proposed Amount: 9,508 Square Feet
Annual Contract Rent: \$52,769.00 @\$5.55/sf
Est. Annual Utility Cost: \$13,311.20 @\$1.40/sf
Est. Annual Janitorial Cost: \$10,458.80 @\$1.10/sf
Total Annual Effective Cost: \$76,539.00 @\$8.05/sf

Current Amount: 6,326 Square Feet
Annual Contract Rent: \$39,000.00 @\$6.17/sf
Est. Annual Utility Cost: \$ 8,856.40 @\$1.40/sf
Est. Annual Janitorial Cost: \$ 6,958.60 @\$1.10/sf
Total Annual Effective Cost: \$54,815.00 @\$8.67/sf

Type: New Lease – Advertisement – Lowest of (2) Proposals from (2) Proposers

FRF Rate: \$10.25 Per Square Foot

Purchase Option: None

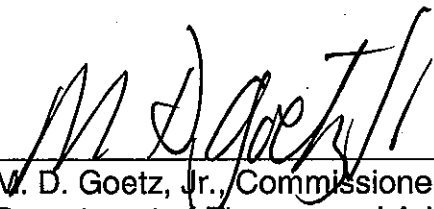
Lessor: Roy Crunk Marital Trust – Current Lessor
Carolyn Crunk, Trustee

Comment: The proposed lease provides the Lessor (1) will construct a 3,182 addition to the existing building including interior tenant build-out at no additional cost to the State, (2) provide interior tenant improvements and professional remediation to the existing lease space to the satisfaction of the State, and at no additional cost to the State, and (3) no cancellation during the first five years of the lease term except for cause and/or funding and 180 days notice thereafter.

SSC Report: 04-14-03. Bob King summarized the transaction. Staff referred to Sub-committee for consent agenda.

SC Action: 04-21-03. Sub-committee approved as presented. Final action.

Approved by: _____


M. D. Goetz, Jr., Commissioner
Department of Finance and Administration