

MINUTES
STATE BUILDING COMMISSION
Executive Subcommittee
September 11, 2014

The State Building Commission Executive Subcommittee met this day immediately following the SBC meeting in House Hearing Room 30, Legislative Plaza, Nashville, Tennessee. Commissioner Larry Martin called the meeting to order at 11:28 a.m. and requested action on the following matters as presented by State Architect Peter Heimbach.

STATE BUILDING COMMISSION SUB-COMMITTEE MEMBERS PRESENT

Larry Martin, Commissioner, Department of Finance and Administration
Tre Hargett, Secretary of State
Justin Wilson, Comptroller of the Treasury
David Lillard, State Treasurer

MEETING PARTICIPANTS

Peter Heimbach, State Architect
Bob Oglesby, Commissioner, Department of General Services
Jim Henry, Commissioner, Department of Children's Services

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Commissioner Oglesby presented a request for approval of two leases to move employees with the Department of Children's Services and Attorney General's Office, who are currently housed in the Cordell Hull and Central Services buildings, into leased space in the downtown area. As presented at the last SBC meeting, he said, it is believed renovation of the Cordell Hull and demolition of the Central Services building is in the best interest of the State. Commissioner Oglesby restated that the present condition of the Cordell Hull, which includes ongoing water infiltration, failing mechanical systems, environmentally hazardous conditions, and code and life safety issues are such that General Services believes it unwise to renovate the building while still occupied. He added that timing of the renovation is dependent upon the availability of funding. Treasurer Lillard asked whether the Cordell Hull building will be mothballed if money is not included in next year's budget. Commissioner Oglesby responded that General Services would try to do all they could to minimize the costs of the buildings to the State, but that no renovations would be undertaken without an additional appropriation.

Comptroller Wilson asked to confirm that continuing to have employees in the Cordell Hull building for any length of time creates life safety issues. Commissioner Oglesby responded "yes", that their biggest concern was to move people out of the buildings. With regard to the issue of location, Commissioner Henry spoke regarding the Department of Children's Services' need to be downtown. In response to questions, Commissioner Henry responded that keeping the central administration offices downtown was strategic and necessary to carry out the Department's mission. Comptroller Wilson stated that it was appropriate in order to carry out the Department's general functions, which would be difficult if not located downtown. Secretary Hargett asked if only people who are currently in the Cordell Hull would be moving. Commissioner Henry responded that two other units, Education and Internal Investigations, needed to be a part of the central office functions and would be included in the move downtown.

Comptroller Wilson asked Commissioner Oglesby when the estimates on the long term impact on the Facilities Revolving Fund and reuse of the Cordell Hull building would be available, and was told it would be provided "in a week or so". Comptroller Wilson asked if there will be commissions paid on both leases, and was told "yes". Subcommittee approved the following two leases as presented.

There being no further business, the meeting adjourned at 11:35 a.m.

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action: Approval of lease agreement

Location: Davidson County – UBS Tower, 315 Deaderick Street, Nashville, TN – Trans. No. 14-05-902(JLL)

Purpose: Office space for the Department of Children's Services for 298+/- staff from Cordell Hull Building

Term: Ten years – June 1, 2015 – May 31, 2025 (estimated pending build-out completion)

Proposed Amount: 85,260 Total Rentable SF (office & storage)

83,047 Rentable SF (office)

First Year Rent: \$1,785,510.50 @\$21.50 / sf

Average Annual Rent Cost Including

OPEX and estimated escalators: \$2,085,484.05 @\$25.11 / sf

2,213 Rentable SF (storage)

First Year Rent: \$32,088.50 @\$14.50 / sf

Average Annual Rent Cost Including

OPEX and estimated escalators: \$38,217.90 @\$17.27 / sf

Combined (office & storage)

Average Annual Total Cost: \$2,123,701.95 @\$24.91 / sf

Current Amount: Cordell Hull/ Central Services Building 377,919 Rentable SF:

(DCS occupies 73,740 sf in Cordell Hull only)

FY 2013 Operating and Maintenance Costs \$2,893,211.00 @\$ 7.66 / sf

Current Est. Deferred Maintenance Cost \$6,290,823.70 @\$16.64 / sf

Total Est. First Year Costs \$9,184,034.70 @\$24.30 / sf

Estimated Ten (10) Year Average Annual Cost \$9,613,232.81 @\$25.44 / sf

Type: New lease – advertised – qualifications based

FRF Rate: Actual Rental Rate

Source of Funding: FRF Operating Fund

Lessor: 315 Deaderick Owners, LLC

Comment:

This lease was procured using a qualification based RFP that takes into account Qualitative and Cost factors. The Qualitative & Cost Factors were weighted 60 percent and 40 percent respectively.

This lease contains the right to terminate with the payment of the termination fee for the following two reasons. (1) Termination or consolidation of Tenant's operations or programs housed in the leased premises because of loss of funding by the appropriate Legislative Body. (2) Lack of funding by the appropriate Legislative Body for obligations required of Tenant under this Lease. The termination fee is equal to the unamortized costs for the Tenant Improvements and other associated fees.

DCS has a need for additional space due to the consolidation of groups formerly from the Plus Park location which was relocated to Cordell Hull a few weeks ago along with several policy changes and developments affecting the agency during the past year. The Cordell Hull and Central Services buildings require extensive maintenance and renovation. The agencies located in the Cordell Hull and Central Services buildings must relocate for an extended period of time during renovations and maintenance work.

Jones Lang LaSalle commission amount is \$814,530.00 and the rebate to the State is \$120,405.00.

Minutes:

09/11/2014 ESC After discussion, the lease agreement was approved as presented.

DEPARTMENT OF GENERAL SERVICES

Lease Agreement

Requested Action: Approval of lease agreement

Location: Davidson County – UBS Tower, 315 Deaderick Street, Nashville, TN – Trans. No. 14-05-903 (JLL)

Purpose: Office space for the Department of Attorney General for 133 +/- staff from the Cordell Hull Building

Term: Ten years - June 1, 2015 – May 31, 2025 (estimated pending build-out completion)

Proposed Amount: 55,141 Total Rentable SF

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|---|-----------------------|----------------------|
| <u>First year Rent:</u> | \$1,185,531.50 | @\$21.50 / sf |
| <u>Average Annual Total Cost Including OPEX and estimated escalators:</u> | <u>\$1,384,705.96</u> | <u>@\$25.11 / sf</u> |

Current Amount: Cordell Hull/ Central Services Building 377,919 Rentable SF:
(AG occupies 64,210 sf in both buildings)

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|---|-----------------------|----------------------|
| FY 2013 Operating and Maintenance Costs | \$2,893,211.00 | @\$ 7.66 / sf |
| <u>Current Est. Deferred Maintenance Cost</u> | <u>\$6,290,823.70</u> | <u>@\$16.64 / sf</u> |
| Total Est. First Year Costs | \$9,184,034.70 | @\$24.30 / sf |
| Estimated Ten (10)Year Average Annual Cost | \$9,613,232.81 | @\$25.44 / sf |

Type: New lease – advertised – qualifications based

FRF Rate: \$18.00

Source of Funding: FRF Operating Fund

Lessor: 315 Deaderick Owners, LLC

Comment: This lease was procured using a qualification based RFP that takes into account Qualitative and Cost factors. The Qualitative & Cost Factors were weighted 60 percent and 40 percent respectively.

This lease contains the right to terminate with the payment of the termination fee for the following three reasons. (1) Termination or consolidation of Tenant's operations or programs housed in the leased premises because of loss of funding by the appropriate Legislative Body. (2) Lack of funding by the appropriate Legislative Body for obligations required of Tenant under this Lease. (3) A one-time right to terminate

at the end of the 84th month of the Lease Term due to the availability of space in Tenant owned property, upon twelve (12) months written notice. The termination fee is equal to the unamortized costs for the Tenant Improvements and other associated fees.

In relocating, the State will be able to reduce the footprint of the Attorney General's Office by 8,976 rentable square feet. The Cordell Hull and Central Services buildings require extensive maintenance and renovation. The agencies located in the Cordell Hull and Central Services buildings must relocate for an extended period of time during renovations and maintenance work.

Jones Lang LaSalle commission amount is \$531,278.00 and the rebate to the State is \$63,755.00.

Minutes: 09/11/2014 ESC After discussion, the lease agreement was approved as presented.

Approved:



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