

MINUTES

STATE BUILDING COMMISSION MEETING

EXECUTIVE SUB-COMMITTEE

SEPTEMBER 23, 2005

The State Building Commission Executive Sub-committee met this day at 10:30 a.m. in Executive Conference Room, Ground Floor, State Capitol, Nashville, Tennessee.

STATE BUILDING COMMISSION SUB-COMMITTEE MEMBERS PRESENT

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

OTHERS PRESENT

Mike Fitts, State Architect
Georgia Martin, Department of Finance and Administration
Charles Garrett, Department of Finance and Administration
Jurgen Bailey, Department of Finance and Administration
Charles Harrison, Comptroller's Office
Jerry Preston, Tennessee Board of Regents
Annette Crutchfield, Legislative Budget Analysis
Genie Whitesell, Attorney General's Office
Janie Porter, Attorney General's Office
George Brummett, Department of Finance and Administration
Dennis Raffield, THEC
John Gregory, Tennessee Wildlife Resources Agency
Keith Robinson, Tennessee Board of Regents
Alvin Payne, University of Tennessee
Janice Yates, Baker Donelson
Martha Staley, Department of Finance and Administration
Mark Cherpack, Department of Finance and Administration
Larry Lance, Department of Environment and Conservation
Chester Lowe, Department of Labor and Workforce Development
Commissioner James Neeley, Department of Labor and Workforce Development

Mark Wood, Secretary of State's Office
Mike Morrow, Department of Finance and Administration
Ralph Mickle, Department of Mental Health & Developmental Disabilities
Cindy Tyler, Department of Mental Health & Developmental Disabilities
Joe Carobene, Department of Mental Health & Developmental Disabilities
Commissioner Ginna Betts, Department of Mental Health & Developmental Disabilities
Emory Crews, Hanscomb Faithful Gould
Ken Scalf, Department of Finance and Administration
Mike Hayes, Department of Finance and Administration
Cam Sorenson, Southeast Venture, LLC
Todd Alexander, Southeast Venture LLC
Nancy Blevins, Department of Finance and Administration
Claire Drowota, Select Oversight Committee on Correction
Mary Margaret Collier, Comptroller's Office
Peggy Wilson, Department of Health
Steve Norris, Mental Retardation Services
Fred Hix, Mental Retardation Services
Ted Fellman, THDA
Patricia Chatman, THDA
Toni Shaw, THDA

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.

UNIVERSITY OF TENNESSEE

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: **Hamilton County – 3,000 square foot– Metro Annex Building, Chattanooga, TN – Trans. No. 05-08-017 (GM)**

Purpose: Disposal by Lease to provide the operation of The Poly Clinic – Student Health Services.

Term: One (1) Year Lease

Consideration: Annual cost of \$30,000 including janitorial & utilities.

Lessee: Dr. Dave Jenkinson d/b/a The Poly Clinic

Comment: Either party may terminate the lease with 120-day notice.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Alvin Payne provided additional information, stating that a broader range of medical services would be available for students, staff and faculty. The lessee was the successful proposer in an RFP process, which will be repeated after one year. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. Approved as presented. Final action.

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 – 0.797 +/- acres improved with a 25,700 +/- sf office/warehouse building, SW TN Community College, 358 Walnut Street, Memphis, TN – Trans. No. 05-08-009 (LW)

Purpose: Acquisition in Fee to be used for parking & storage space.

Source of Funding: Local Plant & Institutional Funds

Estimated Cost: Fair Market Value

Owner(s): Charles L. Ewing & Donna C. Ewing

Comment: Property is in the revised Master Plan.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Jerry Preston presented the history and purpose for this transaction. Staff referred to Sub-Committee for discussion.

SC Action: 9-23-05. Charles Garrett summarized the transaction. Comptroller Morgan asked about the hazardous materials involved, and Jerry Preston responded that the condition was typical of what they find in buildings they purchase. Secretary of State Darnell asked if this project was in the approved master plan, and Mr. Preston responded that it was in the amended master plan as approved by THEC. After discussion, the request was approved as presented.

TENNESSEE BOARD OF REGENTS

MIDDLE TENNESSEE STATE UNIVERSITY, MURFREESBORO, TENNESSEE

- 1) Jerry Preston presented a request to reallocate funding and acknowledgment of the source of funding for **Family Housing Renovations** at Middle Tennessee State University in Murfreesboro, Tennessee. In response to questions, Mr. Preston stated that they needed to move the \$375,000 of equipment money into construction and that they would provide for needed equipment through their operating budget side. Comptroller Morgan asked why they didn't do that in the first place, and Mr. Preston responded that they probably should have. Subcommittee approved the request as presented.

Estimated Project Cost: \$ 6,405,000.00
SBC Project No. 166/009-07-2004

- 2) Mr. Preston presented a request for consent to commissioning the project for **Monohan & Lyon Housing Renovations** at Middle Tennessee State University in Murfreesboro, Tennessee. Comptroller Morgan asked how much would it cost to provide for commissioning, and Mr. Preston responded that they put a line-item in their construction budget for commissioning, which should range from \$50,000-\$125,000. The request was approved as presented.

Estimated Project Cost: \$ 15,150,000.00
SBC Project No. 166/009-08-2004

TENNESSEE STATE UNIVERSITY, NASHVILLE, TENNESSEE

- 1) Mr. Preston presented a report on the contract negotiations for the Construction Manager / General Contractor for **Avon Williams Campus Improvements** at Tennessee State University in Nashville, Tennessee. He stated their firms were qualified and capable. He said they were able to negotiate the lowest cost of the three firms and would be hard bidding about 91% of the job. Treasurer Sims asked what was the bottom line dollar amount on the CM/GC, and Mr. Preston responded that it was approximately \$1.1 million as shown on his handout. Secretary of State Darnell said he wanted to commend them for being able to negotiate the costs down, and said it improves the overall process. Treasurer Sims asked if Mr. Preston was comfortable that they will get the services for the preconstruction services, and Mr. Preston replied, "yes". Comptroller Morgan said he was viewing this as a pilot and hoped they will find what needs to be done differently. He said he was not comfortable with some of the costs being included in the technical evaluation, but they can continue to visit this issue. Secretary Darnell added that they all have concerns as they go forward, but said that the process can be fine-tuned. Treasurer Sims moved to approve the report, which was properly seconded and passed without objection.

Estimated Project Cost: \$ 18,275,000.00
SBC Project No. 166/001-05-2001

TENNESSEE TECHNOLOGY CENTER, CHATTANOOGA, TENNESSEE

- 1) Approved a request for a revision in estimated project cost and funding from \$250,000.00 to \$333,000.00 (an \$83,000.00 increase), and acknowledgement of source of funding for **Welding & Cosmetology Ventilation Corrections** at the Tennessee Technology Center at Chattanooga, and authorization to award a construction contract in the amount of \$279,091.00 to Viking Industrial, Inc. of Rossville, Georgia based upon their low based bid received 13 July 2005.

Revised Estimated Project Cost: \$ 333,000.00
SBC Project No. 166/012-04-2004

SOUTHWEST TENNESSEE COMMUNITY COLLEGE, MEMPHIS, TENNESSEE

- 1) Approved a request for a revision in estimated project cost and funding from \$120,000.00 to \$155,000.00 (\$35,000.00 increase), and acknowledgement of source of funding for **Macon Cove Fulton Building VAV and Controls Upgrade** at Southwest Tennessee Community College in Memphis, and authorization to award a construction contract in the amount of \$130,490.00 to CS3, Inc. of Memphis based upon their low based bid received 24 August 2005.

Revised Estimated Project Cost: \$ 155,000.00
SBC Project No. 166/036-01-2005

STATEWIDE

- 1) Approved a request for a revision in estimated project cost and funding from \$1,075,000.00 to \$1,320,000.00 (a \$245,000.00 increase) of the project for **Storm Damage Repairs**.

Revised Estimated Project Cost: \$ 1,320,000.00
SBC Project No. 166/000-01-2003

DISCUSSION OF BIDS

- 1) **Middle Tennessee State University**
(Student Health, Wellness, & Recreation Facility)
SBC Project No. 166/009-02-2003
Bid date: 14-Sep-05

Jerry Preston discussed the bids for the Student Recreation Center and acknowledged that bids exceeded the estimate by approximately \$5 million. Secretary of State Darnell stated that, in light of the present volatile market conditions, he recommended that they do what was necessary to award the contract, either by adding money or negotiations, or both, but that rebidding exposes everyone's prices and is not fair to the low bidder. Mr. Preston asked that the Subcommittee allow the project to remain referred so that any action they might propose could be brought to either the full Commission or back to the Executive Subcommittee, whichever is more timely. Subcommittee concurred with Mr. Preston's request.

- 2) **Tennessee State University, Nashville**
(New Performing Arts Building and Strange Music Building Renovation)
SBC Project No. 166/001-04-1996
Bid date: 14-Sep-05
SC Action: No action required

DEPARTMENT OF MILITARY

LAND ITEM

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

Description: Hardeman County – 0.5862 +/- acres – Bolivar Armory – Bolivar, TN – Trans. No. 05-08-015 (GM)

Purpose: Disposal of Fee adjoining owner requests to purchase approximately 0.5 acre under jurisdiction of the Military Dept.

Original Cost to State: \$68.00 per acre

Date of Original Conveyance: October 1947

Grantor Unto State: Clark Lightfoot,etal

Estimated Sale Price: Fair Market Value

Grantee: Cathryn Hudson

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. Secretary of State Darnell asked if the Department was agreeable to surplus the property as well as charge fair market value to the adjoining landowner, and was told "yes". Subcommittee approved the request as presented.

DEPARTMENT OF HEALTH

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: **Putnam County – 11.5 +/- acres of vacant land - Willow Avenue, Cookeville, TN - Trans. No. 05-08-016 (JB)**

Purpose: Acquisition in Fee of land for the Upper Cumberland Regional Health Facility.

Source of Funding: SBC Project Funds 408/009-01-04

Estimated Cost: Fair Market Value

Owner(s): Larry Burgess / Dealmakers

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. Approved as presented. Final action.

TENNESSEE WILDLIFE RESOURCES AGENCY

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: Montgomery County – 114.9 +/- acres – Shelton Ferry, TN – Trans. No. 05-07-002 (CH)

Purpose: Acquisition in Fee as an addition to the Wildlife Management Area for wetland habitat.

Source of Funding: Wetland Funds

Estimated Cost: Fair Market Value

Owner(s): The Conservation Fund

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. After a presentation by John Gregory, the Subcommittee approved the request as presented. Final action.

TENNESSEE WILDLIFE RESOURCES AGENCY

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: Coffee County – 163.90 +/- acres – Lapidus Tract, Manchester, TN – Trans. No. 05-07-003 (CH)

Purpose: Acquisition in Fee as an addition to the Wildlife Management Area for wetland preservation.

Source of Funding: Wetland Funds

Estimated Cost: Fair Market Value

Owner(s): David King & Charlie Lapidus

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. After a presentation by John Gregory, the Subcommittee approved the request as presented. Final action.

DEPARTMENT OF CHILDREN'S SERVICES

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: Jefferson County – 613 West Highway 11 East, New Market, TN – Trans. No. 05-05-904 (JS)

Purpose: To provide office and related space for county operation.

Term: March 1, 2006 thru February 28, 2016 (10 yrs.)

Proposed Amount:	<u>12,500 Square Feet</u>		
	Annual Contract Rent:	\$ 98,670.00	@ \$ 7.89/sf
	Est. Annual Utility Cost:	\$ 17,500.00	@ \$ 1.40/sf
	Est. Annual Janitorial Cost:	<u>\$ 13,750.00</u>	<u>@ \$ 1.10/sf</u>
	Total Annual Effective Cost:	\$129,920.00	@ \$10.39/sf

Type: New Lease – Advertisement – Lowest of two proposals from two proposers.

FRF Rate: \$10.25 per square foot

Purchase Option: No – Multi-tenant

Lessor: Shawn & Priscilla Wilmoth

Comment: The proposed lease provides (1) the lessor will renovate 12,500 square foot of office space including tenant alterations at no additional cost to the State, (2) no cancellation during the first five years of the lease term except for cause and/or lack of funding and 180-days notice thereafter.

SC Action: 9-23-05. Approved as presented. Final action.

DEPARTMENT OF ENVIRONMENTAL & CONSERVATION

LEASE AGREEMENT

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

Location: Davidson County – L & C Tower, 401 Union Street, Nashville, TN – Trans. No. 03-09-909 (BK)

Purpose: Lease Amendment # 1 to delete the Termination for Convenience, Paragraph 5, in its entirety and a reduction in the Annual Rent.

Term: September 1, 2005 thru December 31, 2014 (9 yrs. 4 mons.)

Proposed Amount: 177,706 Square Feet
Average Annual Contract Rent Incl.
Utility & Janitorial Cost: \$2,862,236.16 @\$16.10/sf
Total Annual Effective Cost: \$2,862,236.16 @\$16.10/sf

Current Amount: 177,706 Square Feet
Average Annual Contract Rent Incl.
Utility & Janitorial Cost: \$2,906,662.75 @\$16.35/sf
Total Annual Effective Cost: \$2,906,662.75 @\$16.35/sf

Type: Amendment No. 1

FRF Rate: \$18.00 per square foot

Purchase Option: No

Lessor: 401 Church Street, LLC

Comment: The proposed amendment provides (1) a rent reduction and (2) no cancellation during the lease term except for cause and/or lack of funding.

SSC Report: 9-12-05. Charles Garrett summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. Charles Garrett summarized the transaction. Secretary of State Darnell asked what it would cost to purchase the building, and Mr. Garrett responded that they didn't know. Mr. Garrett then distributed the Statewide Housing Plan for their review. Treasurer Sims said they received only two proposals for the RFP and the site parameters were for a downtown area only. The Subcommittee discussed the concept of purchasing the building, the length of time they have leased the building and the length of time they

Department of Environment and Conservation – continued:

would probably lease the building. Secretary Darnell asked what percentage of the building was the State leasing (about 68%) and have there been discussions regarding purchasing (no). Mr. Garrett replied that the space works well for TDEC and meets their need for the next nine years. Comptroller Morgan commented that they were going to be there for the whole term of the lease. He said it was hard to imagine not being out of the building, although he recognized the savings of money. Secretary Darnell asked if federal funding was an issue, and Mr. Garrett responded that it was not entirely, but that there were some federal funds involved. Secretary Darnell commented that they don't have an opportunity with this much space with this kind of lease payment very often. He said this will be a \$27 million lease and a saving of \$450,000. The Subcommittee complimented the staff for the savings obtained through the negotiations and commented that they should be looking to purchase the facility. Mr. Garrett stated that they were looking toward developing a campus to house a number of tenants. After further discussion, the request was approved as presented.

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

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: Davidson County – 230 Athens Way, Nashville, TN – Trans. No. 05-03-911 (EN)

Purpose: To provide office and related space for local operations.

Term: July 1, 2007 thru June 30, 2022 (15 yrs.)

Proposed Amount:	<u>236,715 Square Feet</u>		
	Annual Contract Rent:	\$2,663,396.40	@ \$ 11.25/sf
	Est. Annual Utility Cost:	\$ 331,401.00	@ \$ 1.40/sf
	Est. Annual Janitorial Cost:	<u>\$ 260,386.50</u>	@ \$ 1.10/sf
	Total Annual Effective Cost:	\$3,255,183.90	@ \$ 13.75/sf

Current Space: Davy Crockett & Andrew Johnson Tower

Type: New Lease – Advertisement – Lowest of four proposals from four proposers.

FRF Rate: \$18.00 per square foot

Purchase Option: Yes – 1 thru 15

Lessor: Southeast Venture, LLC

Comment: The proposed lease provides (1) the lessor will construct 236,715 square foot of office space including tenant alterations at no additional cost to the State, (2) no cancellation except for cause and/or lack of funding.

SSC Report: 9-12-05. Bob King summarized the transaction. Charles Garrett confirmed the intention of exercising the purchase option. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. Charles Garrett presented the transaction and commented that they received good competition. Commissioner Neeley was recognized and commended staff for doing a good job. Mr. Garrett said this proposal is a lease-purchase option and its location is such that it should be a prime candidate for purchase. Subcommittee approved the request as presented.

FINANCE & ADMINISTRATION for
MENTAL RETARDATION SERVICES

LEASE AGREEMENT

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

Location: **Anderson County – 122 Saratoga Drive, Clinton, TN – Trans. No. 05-07-904 (EN)**

Purpose: To provide residential transition space for mentally challenged adults in the county.

Term: October 15, 2006 thru October 14, 2010 (5 yrs.)

Proposed Amount: 4,300 Square Feet
Annual Contract Rent Incl. Utility &
Janitorial Cost: \$66,996.00 @\$15.58/sf
Total Annual Effective Cost: \$66,996.00 @\$15.58/sf

Type: New Lease – Negotiated

Purchase Option: Yes – 1 thru 5

Lessor: Emory Valley Center

Comment: The proposed lease provides (1) cancellation with a 90-day notice, and (2) janitorial services is provide by the residents.

SSC Report: 9-12-05. Bob King summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 9-23-05. Charles Garrett distributed descriptive materials for the proposed transaction. Deputy Commissioner Steve Norris said that this will allow them to get a respite environment for the mentally retarded and that it plugs a big hole in their needs for East Tennessee. Mr. Garrett noted that the State has an option to purchase. Subcommittee approved the request as presented.

FINANCE & ADMINISTRATION
for MENTAL RETARDATION SERVICES

DISCUSSION ITEM

Discussion of the methodology of using THDA grant construction loans to provide residential facilities for adult citizens that require services from the Division of Mental Retardation Services (DMRS).

SSC Report: 9-12-05. Charles Garrett summarized the transaction. The goal was to construct 4 units within the city of Memphis, 4 in Shelby County and 4 in Greene County by July 2006. The facilities would all be design and constructed according to the same specifications. F&A would provide consulting and architectural services. The homes would be located in the neighborhood of the resident's family members. Caregivers would not be living at the homes, but would provide 24-hour assistance in 8-hour shifts.

THDA would offer grants to non-profit construction organizations, with funding provided by a bond issue of up to \$3.0m. Upon completion of each project, DMRS would purchase the property, thus reimbursing THDA who would then re-cycle the money into the next project. Patricia Chatman of THDA stated that her office would evaluate and process the proposals to ensure compliance with THDA standards.

The Bureau of TennCare will pay DMRS \$15,000 per resident, or \$60,000 per unit of four, toward the purchase price of the homes. Staff referred to Sub-Committee for discussion.

SC Action: 9-23-05. Charles Garrett summarized the proposed transaction as shown above. Deputy Commissioner Steve Norris said that this was a very important step to a long-term solution. He said they are under pressure to move people from MR facilities into the community, and they probably will spend \$2 million a year on renovations and \$2.5 million in housing subsidies. Secretary of State Darnell commended Mary Margaret Collier for her work. He added that it has been a pleasure to see the cooperation of the various agencies and THDA, and it is one of those issues where everyone has pulled their load and that this was an innovative way to make this thing work. Mr. Garrett asked how did they want them to proceed and did they want them to go the full SBC. Comptroller Morgan said he thought they needed to recommend approval to the full Commission. The Subcommittee then approved Comptroller Morgan's recommendation.

DEPARTMENT OF CORRECTION

DISCUSSION ITEM

In approximately two months the state will need to acquire between 150 and 200 water line easements at the Southeast Tennessee Regional Correctional Facility for SBC Project 142/013-02-2004 in Bledsoe County. F&A is considering requesting Sub-Committee blanket approval to acquire the easements at up to fair market value as determined by independent appraisals. F&A would engage a consultant by DPA contract to appraise the easements and negotiate settlements with individual property owners. Any offers above fair market value would be approved at the discretion of the Commissioner of F&A.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for discussion.

SC Action: 9-23-05. Charles Garrett summarized the request. Commissioner Goetz mentioned that the cost for the water line has quadrupled. Ken Scalf responded that the Department of Correction was pursuing outside funding to supplement the cost. The Subcommittee approved the request as presented.

DEPARTMENT OF MENTAL HEALTH &
DEVELOPMENTAL DISABILITIES

SPECIAL ITEM

Update and discussion of the Memphis Mental Health Institute project that was approved by the State Building Commission on June 9, 2005 (SBC Project No. 344/013-01-2005).

SSC Report: 9-12-05. Charles Garrett summarized the transaction. Alvin Payne stated that short-term funds could be provided by the UT School Bond Authority, followed by a G.O. bond issue to cover long-term costs and to reimburse UT.

The project is time-sensitive. Methodist Healthcare has stated that the project would be cancelled if completion by June 2007 could not be assured. Methodist was reported to be considering other sites in preparation for a go-it-alone venture.

There was agreement that although the project was favorable to all parties, the delivery concept was in question. In order to complete construction by the 2007 deadline, it was recommended that the project should proceed utilizing the same design team of The Ritchie Organization and Allen & Hoshall, Inc.

Staff referred to Sub-Committee for discussion.

SC Action: 9-23-05. Charles Garrett stated that they were coming with a plan to proceed forward with the project previously presented to the State Building Commission with the exception that the State would step in as the developer in lieu of Methodist. He then distributed a copy of a proposed Plan 'A' wherein it is recommended to utilize the approved design team of TRO and the established project delivery team, Turner Universal/Montgomery-Martin, and otherwise follow the originally approved concept with the exception of substituting the State for Methodist as the developer. Mike Fitts stated that Methodist used due diligence in their procurement of a construction manager and he thought they could be in a position to structure and negotiate a proper contract and proceed forward and not lose time. He said he thought that there has been enough competitiveness and research done on Methodist's evaluation and he would like to take this to the October SBC for their approval. Mr. Garrett said that they had approved the schematic design and they were now in the process of working with the management consultant team. He said they want to review the plans and schedule and noted that he was not totally comfortable with the budget. He said he was sending his management assistance consultant in to do an assessment. Mr. Garrett said he felt comfortable that they could meet the summer completion date in 2007. Treasurer Sims stated that the completion date is critical, and Commissioner Goetz stated that they have needs that have to be met. Secretary of State Darnell said that this appears to be a good deal as long as everything works. He said he doesn't want Methodist in a position to say that they can't perform because they missed the deadline, when they may have contributed to the problem. Commissioner Goetz said the purpose of proceeding in this fashion was

Department of Mental Health & Developmental Disabilities – continued:

because the State needs a new facility and they will be able to retain the time benefits of the present process. He said that he has enough faith in Methodist that they will proceed ahead with this and purchase the old facility. Secretary Darnell said he thought that they were stuck, and it concerns him that they have to make the best out of a bad situation. He said he didn't intend to vote for one of these kinds of projects ever again. Treasurer Sims stated that, as more information becomes available, they can refine the date. He said the Summer 2007 date is a plan date, and if it needs to be January 2008 in lieu of Summer 2007, then it needs to be. Commissioner Goetz said he was going to make sure that they have a sit down with the leadership of the Finance Committees and with the Shelby County delegation on how this unusual path was taken and discuss with them its development. He said he believes this recommendation is in the State's best interest. Secretary Darnell said they have little choice and, if there is a hiccup in that process, they will be beyond those dates. Comptroller Morgan said that the amended and restated term sheet represents the best effort to meet that end date. He said they should be asked to use their best efforts, and if they can show that the State did not, he would be willing to consider a remedy with Methodist. He said the purchase price of \$12.5 million makes him willing to concur with the Administration's recommendations because that is money they would never get any other way. Treasurer Sims said that the fundamentals of the transaction are basically the same, but they were being asked to substitute the State for Methodist as the developer and further, to designate Turner Universal/Montgomery-Martin as Construction Manager, and F&A to oversee them. Secretary Darnell commented that, when you go outside the process, Murphy's Law will get you every time. Treasurer Sims told Commissioner Goetz that he would appreciate his touching base with the Legislative leadership and Shelby County delegation before the SBC meeting.

Upon proper motion and second, the Subcommittee recommended to the full Commission that they approve the State contracting with the originally approved design firm, TRO, and negotiating a contract with the Methodist-approved construction manager, Turner Universal/Montgomery-Martin, and the substitution of the State for Methodist as the developer for the project, acknowledging that they are waiving the normal procurement process requirements of the SBC. Treasurer Sims noted that their recommendation included Commissioner Goetz's commitment to touch base with the Legislative leadership and Shelby County delegation prior to the October 13 SBC meeting.

STATE BUILDING COMMISSION

EXECUTIVE SUBCOMMITTEE MEETING MINUTES

- 1) Approved the Minutes of the Executive Subcommittee meeting held on August 22, 2005.

SPECIAL ITEMS

- 1) Mr. Fitts reported that, on August 22, 2005, the Subcommittee had approved the Takeover Agreement by National Grant Mutual Insurance, the surety involved in a contract between the State and Annie Mechanical Maintenance Company, on the Direct Order Contracting project, subject to SBC staff and Attorney General approval, provided that it was brought back to Commissioner Goetz for final approval. Mr. Fitts reported that Commissioner Goetz had given his approval, and no further action was required.

SBC Project No. 529/000-04-2000

- 2) Subcommittee approved a request to recommend to the full Commission a revision to the *State Building Commission By-laws, Policy and Procedures* by adding the following language:

Add new paragraph B to Item 7.05:

- B. The Tennessee Wildlife Resources Agency is required to provide an annual report of crop leases entered into for the previous fiscal year. Report on crop leases is to be submitted to State Building Commission by the following August 31st, and is to include information identifying the Lessee, amount of bid (percentage of crop income, acres of crops left standing, cash per acre rent, etc.), and compliance with bidding requirements.
- 3) Mike Fitts distributed a document entitled "*Proposed Revisions to Include Alternative Delivery Methods in the State Building Commission By-laws, Policy and Procedure*" dated 9/23/05 and discussed the concepts of the document. Treasurer Sims said he was not comfortable recommending this to the full Commission at this time. Comptroller Morgan said he had concerns relative to the methodology for evaluation and selection wherein some of the costs were included in the technical evaluation portion in lieu of the pure cost portion. Mr. Fitts stated that because of the quasi-professional services natures of the CM work, such arrangement could be justified. Comptroller Morgan thought they should work more on an acceptable solution to all. Jerry Preston said he would like to have an opportunity to have all the stakeholders-- owners, contractors, subcontractors, architects and engineers--consider the issue because it is important to get it right. Secretary of State Darnell said there is opportunity for staff to iron out issues and that he wanted to commend all the hard work gone into it. Although he didn't think they were ready that day, Secretary Darnell said he didn't think they were insurmountable problems at all. Comptroller Morgan commented that the bid process has served the State well, but that things have gotten more complicated. He said he would like to have a mechanism to look at alternatives. Treasurer Sims said he thought the QIC group has gotten them further along than they thought possible and they were not that far off. The Subcommittee then deferred Mr. Fitts' request until the next scheduled Subcommittee meeting.

NATIONAL GUARD ARMORY, TULLAHOMA, TENNESSEE

- 1) Approved Delivery Order #7 and acknowledgment of the source of funding for **Energy Savings Project** at the National Guard Armory at Tullahoma, with worked to be accomplished by the ESCO, Johnson Controls, Inc.

Estimated Cost of Delivery Order #7: \$432,080.00

SBC Project No. 361/093-01-2005

NATIONAL GUARD ARMORY, DICKSON, TENNESSEE

- 1) Approved Delivery Order #9 and acknowledgment of the source of funding for **Energy Savings Project** at the National Guard Armory at Dickson, with worked to be accomplished by the ESCO, Johnson Controls, Inc.

Estimated Cost of Delivery Order #9: \$245,500.00

SBC Project No. 361/000-03-2005

) Following approval of the Consent Agenda, the meeting adjourned at 12:12 p.m.

CONSENT AGENDA

Approved the following Real Property transactions that had been reviewed and recommended for approval by Sub-Committee staff:

- A. Agency: University of Tennessee – Morgan County
Transaction: Disposal by Lease
- B. Agency: Tennessee Board of Regents – Rutherford County
Transaction: Acquisition in Fee
- C. Agency: Department of Transportation – Sullivan County
Transaction: Disposal by Fee
Provision: Waiver of Advertisement
- D. Agency: Tennessee Wildlife Resources Agency – Anderson, Scott, Campbell Counties
Transaction: Disposal by Easement
Provision: Waiver of Advertisement, One Appraisal, Right of Entry
- E. Agency: Tennessee Wildlife Resources Agency – Greene County
Transaction: Acquisition in Fee
- F. Agency: Department of Agriculture - Putnam County
Transaction: Disposal in Fee
Provision: Waiver of Advertisement
- G. Agency: Department of Agriculture – Rhea County
Transaction: Disposal in Fee
- H. Agency: Department of Environmental & Conservation – Stewart County
Transaction: Disposal of Interest
- I. Agency: Secretary of State – McMinn County
Transaction: Lease Agreement
- J. Agency: Department of Safety - Coffee County
Transaction: Lease Agreement
- K. Agency: Department of Human Services – Madison County
Transaction: Lease Agreement
- L. Agency: Department of Children’s Services – Sullivan County
Transaction: Lease Agreement
- M. Agency: Department of Labor & Workforce Development – Madison County
Transaction: Lease Agreement

UNIVERSITY OF TENNESSEE

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: Morgan County – 0.6 +/- acre – State Route 62, Wartburg, TN – Trans. No. 05-08-012 (GM)
- Purpose: Disposal by Lease for the operation and maintenance of Morgan County's Solid Waste Recycling Center.
- Term: Five (5) years plus option to renew for a Five (5) years extension.
- Consideration: Mutual Benefits
- Lessee: Morgan County
- SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. The lessee will improve access roads to UT's Forestry Station and make other property improvements as specified by the university. Staff referred to Sub-Committee for consent agenda.
- SC Action: 9-23-05. Approved. Final action.

B.

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: Rutherford County – 0.18 +/- acres improved with quadraplex – 219 A – D Airport Avenue, Murfreesboro, TN – Trans. No. 05-08-007 (LW)

Purpose: Acquisition in Fee to be rented until needed for future expansion.

Source of Funding: Auxiliary Institutional Funds (Property Rentals)

Estimated Cost: Fair Market Value

Owner(s): Timothy McKinney

Comment: This residential property is within the MTSU Master Plan Acquisition.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF TRANSPORTATION

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: **Sullivan County – 0.767 +/- acres of excess ROW at S. R. 126 / S. R. 93, Kingsport, TN – Trans. No. 05-08-002 (LW)**

Purpose: Disposal in Fee to provide assemblage by adjoining property owner for use as a commercial office development.

Original Cost to State: \$695,000.00 for 3.358 +/- acres

Date of Original Conveyance: May 2001

Grantor Unto State: Industrial Rubber Products Company

Estimated Sale Price: Fair Market Value

Grantee: David Clark for Katherine Square Partnership

Comment: Other adjoining property owner & previous owner have no interest in bidding. City of Kingsport supports transaction.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

TENNESSEE WILDLIFE RESOURCES AGENCY

LAND ITEM

Review of a request for APPROVAL of the following DISPOSAL by EASEMENT of interest in real property with WAIVER of ADVERTISEMENT and APPRAISALS and APPROVAL of RIGHT-OF-ENTRY as required by TCA 4-15-102 and 12-2-112 and MODIFICATION of the BUY-BACK AGREEMENT.

Description: Anderson, Scott, Campbell Counties – 5.0 +/- Acres – Sundquist Wildlife Management Area – Trans. No. 05-08-011 (CH)

Purpose: Disposal by Easement for gas wells and gas transportation line. The easement will revert when extraction is complete, the site closed, and approved by the TN Department of Environment and Conservation.

Estimated Sale Price: Mineral Rights Retained

Grantee: Knox Energy

Comment: The Executive Sub-Committee approved a previous transaction on February 22, 2005 to Knox Energy a company in good standing. Gas well number AD-1008.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

TENNESSEE WILDLIFE RESOURCES AGENCY

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: Greene County – 3.0 +/- acres – Nolichucky River, Mohawk, TN – Trans. No. 05-08-013 (CH)

Purpose: Acquisition in Fee for access to the Nolichucky River.

Source of Funding: 75% - Boating Funds
25% - State Funds

Estimated Cost: Gift

Owner(s): Hadley Carter

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF AGRICULTURE

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: Putnam County – 8.3 +/- acres & building – Cookeville, TN – Trans. No. 05-07-014 (CH)

Purpose: Disposal in Fee to Putnam County to use the building & property to consolidate its district personnel.

Original Cost to State: \$2,000.00

Date of Original Conveyance: 1950

Grantor Unto State: J.W. Cawley, et al

Estimated Sale Price: Fair Market Value

Grantee: Putnam County

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF AGRICULTURE

LAND ITEM

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

Description: Rhea County – 1.0 +/- acres – Fire Tower Site – Dayton, TN – Trans. No. 05-08-004 (CH)

Purpose: Disposal in Fee to revert back to the previous owners following abandonment by the State of Tennessee.

Date of Original Conveyance: June 1937

Grantor Unto State: Black Mountain Land Co.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF ENVIRONMENTAL & CONSERVATION

LAND ITEM

Review of a request for APPROVAL of the following DISPOSAL of INTEREST as required by TCA 4-15-102 and 12-2-112:

Description: Stewart County – 134 +/- acres – Highway 79 – Indian Mounds, TN – Trans. No. 05-08-014 (LW)

Purpose: Disposal of Interest to decline property conveyed to the State by a Will.

Original Cost to State: Gift by Will

Date of Original Conveyance: August 2001

Grantee: Heirs of Mae Howard Flibotte

Comment: The tract was willed to the State of Tennessee for use as a state park, but TDEC is not interested in accepting the property. The will was probated in Florida, and according to Florida statutes, a waiver of ownership must be recorded in Tennessee.

SSC Report: 9-12-05. Jurgen Bailey summarized the transaction. In addition to TDEC not wishing to develop the area as a park, ownership would be complicated by legal issues. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

SECRETARY OF STATE

LEASE AGREEMENT

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

Location: McMinn County – 718 George Street, Athens, TN – Trans. No. 05-08-901 (EN)

Purpose: To provide space for the Fort Loudon Regional Library

Term: November 1, 2005 thru October 31, 2010 (5 yrs)

Proposed Amount: 4,800 Square Feet
Annual Contract Rent: \$ 18,000.00 @\$3.75/sf
Est. Annual Utility Cost: \$ 6,720.00 @\$1.40/sf
Est. Annual Janitorial Cost: \$ 5,280.00 @\$1.10/sf
Total Annual Effective Cost: \$ 30,000.00 @\$6.25/sf

Current Amount: 4,800 Square Feet
Annual Contract Rent: \$ 14,400.00 @\$ 3.00/sf
Est. Annual Utility Cost: \$ 6,720.00 @\$1.40/sf
Est. Annual Janitorial Cost: \$ 5,280.00 @\$1.10/sf
Total Annual Effective Cost: \$ 26,400.00 @\$5.50/sf

Type: New Lease – Negotiated

FRF Rate: \$10.25 per square foot

Purchase Option: No

Lessor: Harrill Rental Properties, current lessor

Comment: The proposed lease provides (1) a 90-day cancellation.

SSC Report: 9-12-05. Bob King summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF SAFETY

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: Coffee County – Lot 13 @ Industrial Blvd., Tullahoma, TN – Trans. No. 04-08-907 (RS)

Purpose: To provide office and related space for DLI & THP.

Term: July 1, 2006 thru June 30, 2016 (10 yrs.)

Proposed Amount: 5,084 Square Feet

Annual Contract Rent:	\$54,288.00	@\$10.68 /sf
Est. Annual Utility Cost:	\$ 7,113.40	@\$ 1.40/sf
Est. Annual Janitorial Cost:	<u>\$ 5,589.10</u>	<u>@\$ 1.10/sf</u>
Total Annual Effective Cost:	<u>\$66,990.50</u>	<u>@\$13.18 /sf</u>

Current Amount: Land Only

Annual Contract Rent Incl.	
Utility & Janitorial Cost:	\$ 1.00

Type: New Lease – Advertisement – Second of the lowest of three proposals from two proposers.

FRF Rate: \$10.25 per square foot

Purchase Option: Yes – 5 thru 10

Lessor: Cawthorn, Fulks & Smith

Comment: The proposed lease provides (1) the lessor will construct 5,084 square foot of office space including tenant alterations at no additional cost to the State (2) no cancellation during the first five years of the lease term except for cause and/or lack of funding and 180-days notice thereafter.

SSC Report: 9-12-05. Bob King summarized the transaction. The two lowest proposals were received from the same proposer. The second lowest proposal (\$103 per year greater than the lowest) was recommended to secure a 10-year lease with a cancellation option after 5 years. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF HUMAN SERVICES

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: Madison County – 124 Whitehall Street, Suites A & B, Jackson, TN – Trans. No. 04-12-904 (JS)

Purpose: To provide office and related space county operations.

Term: January 1, 2006 thru December 31, 2010 (5 yrs.)

Proposed Amount: 14,400 Square Feet
Annual Contract Rent Incl. Utility Cost: \$ 111,375.00 @\$ 7.73/sf
Est. Annual Janitorial Cost: \$ 15,840.00 @\$ 1.10/sf
Total Annual Effective Cost: \$ 127,215.00 @\$ 8.83/sf

Current Amount: 10,500 Square Feet
Annual Contract Rent Incl. Utility Cost: \$ 95,000.00 @\$ 9.05/sf
Est. Annual Janitorial Cost: \$ 11,550.00 @\$ 1.10/sf
Total Annual Effective Cost: \$106,550.00 @\$10.15/sf

Type: New Lease – Advertisement/Negotiated – Second lowest of nine proposals from four proposers.

FRF Rate: \$13.50 per square foot

Purchase Option: No – Multi-tenant

Lessor: Bank of Bartlett, current lessor

Comment: The proposed lease provides (1) the lessor will construct interior build-out and make tenant improvements and alterations at no additional cost to the State, (2) 180-day cancellation.

SSC Report: 9-12-05. Bob King summarized the transaction. Negotiation provided a more favorable cancellation option. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF CHILDREN'S SERVICES

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: Sullivan County – 707 North Eastman Road, Kingsport, TN – Trans. No. 05-05-905 (JS)

Purpose: To provide office and related space for area operation.

Term: September 1, 2006 thru August 31, 2016 (10 yrs.)

Proposed Amount: 13,000 Square Feet
Annual Contract Rent: \$117,000.00 @\$ 9.00/sf
Est. Annual Utility Cost: \$ 18,200.00 @\$ 1.40/sf
Est. Annual Janitorial Cost: \$ 14,300.00 @\$ 1.10/sf
Total Annual Effective Cost: \$149,500.00 @\$11.50/sf

Current Amount: 14,083 Square Feet
Annual Contract Rent Incl. Utility & Janitorial Cost: \$ 141,038.02 @\$ 10.01/sf

Type: New Lease – Advertisement – Lowest of three proposals from three proposers.

FRF Rate: \$10.25 per square foot

Purchase Option: No – Multi-tenant

Lessor: Richard O. Ripley, current lessor

Comment: The proposed lease provides (1) the lessor will construct 13,000 square foot of office space including tenant alterations at no additional cost to the State, (2) no cancellation during the first five years of the lease term except for cause and/or lack of funding and 180-days notice thereafter.

SSC Report: 9-12-05. Bob King summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

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: Madison County – 362 Carriage House Drive, Jackson, TN – Trans. No. 05-04-908 (EN)

Purpose: To provide office and related space for operation.

Term: July 1, 2006 thru June 30, 2016 (10 yrs.)

Proposed Amount: 14,380 Square Feet
Annual Contract Rent: \$ 91,000.08 @\$ 6.33/sf
Est. Annual Utility Cost: \$ 20,132.00 @\$ 1.40/sf
Est. Annual Janitorial Cost: \$ 15,818.00 @\$ 1.10/sf
Total Annual Effective Cost: \$ 126,950.08 @\$ 8.83/sf

Current Amount: 6,558 Square Feet
Annual Contract Rent Incl. Utility &
Janitorial Cost: \$ 57,510.00 @\$ 8.77/sf
Total Annual Effective Cost: \$ 57,510.00 @\$ 8.77/sf

Type: New Lease – Advertisement – Lowest of seven proposals from five proposers.

FRF Rate: \$13.50 per square foot

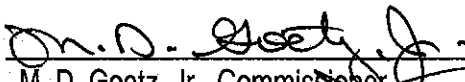
Purchase Option: Yes – 1 thru 10

Lessor: WFM Partners

Comment: The proposed lease provides (1) the lessor will renovate 14,380 square foot of office space including tenant alterations at no additional cost to the State, (2) no cancellation during the first five years of the lease term except for cause and/or lack of funding and 180- days notice thereafter.

SSC Report: 9-12-05. Bob King summarized the transaction. Staff referred to Sub-Committee for consent agenda.

SC Action: 9-23-05. Approved. Final action.

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