

MINUTES
STATE BUILDING COMMISSION
Executive Subcommittee
February 24, 2020

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. Commissioner McWhorter called the meeting to order at 11:00 a.m. and requested action on the following matters as presented by State Architect Ann McGauran.

MEMBERS PRESENT

Stuart McWhorter, Commissioner, Department of Finance and Administration
Tre Hargett, Secretary of State
Justin Wilson, Comptroller of the Treasury

MEMBERS ABSENT

David Lillard, State Treasurer

ORGANIZATION

- Department of Revenue
- Department of General Services
- State Building Commission

PRESENTER

Commissioner David Gerregano
Deputy Commissioner John Hull
State Architect Ann McGauran

CONSENT AGENDA

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

- A. Agency: University of Tennessee – Martin
Transaction: Acquisition – Lease (Land)
Provision(s): n/a

- B. Agency: Tennessee Wildlife Resources Agency
Transaction: Acquisition – Fee (Purchase)
Provision(s): Waiver of advertisement and one appraisal

- C. Agency: Department of Intellectual & Developmental Disabilities
Transaction: Disposal – Lease (Space)
Provision(s): Waiver of advertisement and appraisal

DEPARTMENT OF REVENUE

Acquisition – Lease (Space)

Requested Action: Approval of a lease

Transaction Description: Transaction No. 19-09-904

• Proposed Lease

○ Location:	1500 Broadway, Suite 1100, New York, NY		
○ Landlord:	Zapco 1500 Investment, LP		
○ Term:	10 years (May 1, 2020 – April 30, 2030)		
○ Area / Costs:	<u>2,997 Total Square Feet</u>		
	First Year Contract Rent (includes utilities, janitorial, and porters' wage):	\$205,294.50	\$68.50/sf
	Average Annual Contract Rent:	233,811.60	78.02/sf
	Estimated Annual Taxes:	39,804.45	13.28/sf
	Estimated Liability Insurance:	630.92	0.21/sf
	Total Average Annual Effective Cost:	<u>\$274,246.97</u>	<u>\$91.51/sf</u>

• Current Lease

○ Location:	1500 Broadway, Suite 1100, New York, NY		
○ Landlord:	Zapco 1500 Investment, LP		
○ Term:	10 years (May 1, 2010 – April 30, 2020)		
○ Area / Costs:	<u>2,997 Square Feet</u>		
○ Current:	Average Annual Contract Rent (includes janitorial):	\$177,378.00	\$59.19/sf
	Estimated Utilities Cost:	10,489.50	3.50/sf
	Porters' Wage:	31,462.76	10.50/sf
	Annual Taxes:	39,804.45	13.28/sf
	Liability Insurance:	630.92	0.21/sf
	Total Average Annual Effective Cost:	<u>\$259,765.63</u>	<u>\$86.68/sf</u>

• Source of Funding: Agency Operating Funds

• FRF Rate: Not applicable

Comment: This lease will provide office space for Department of Revenue New York out of state office 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. One proposal from one proposer was received.

Numerous substantial corporations are headquartered in the New York region, with this location being most central to most of the department's clients as well as centrally located near the 42nd Street subway station which is the east-west subway link necessary to access the entire city. All employees use public transportation to commute to the office using train, subway, or bus. Manhattan is the center of all the public transportation networks and commuting between the 5 boroughs that make up New York City without going through Manhattan is difficult and time consuming.

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 7 state region of Connecticut, New Hampshire, New Jersey, New York, Maine, Rhode Island, and Vermont.

The base rental rate includes utilities, janitorial, porters' wages and a pro-rata share of the property taxes for the leased space. The property tax rate will be adjusted annually based on the tax year ending April 30. Limited maintenance of overhead lighting and liability insurance for the leased premises will be addressed by the tenant within available agency resources.

A security deposit was required when the current lease was initiated, and the incumbent landlord will maintain the same deposit as a requirement of the new lease.

The tenant may terminate this lease for convenience at any time by giving 120 days written notice to the landlord after the 24th month.

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.

Minutes:

02/24/2020 Commissioner Gerregano stated that the search area was expanded to be about 50% larger than the search area ten years ago. The Department worked with STREAM, who used CoStar, to identify properties that were available. They worked diligently to solicit bidders and believed they were going to have multiple bidders but only received one bid from the incumbent landlord.

Commissioner McWhorter asked to be reminded why these employees were required to be in New York. Commissioner Gerregano replied that it is about having access to companies in Manhattan and surrounding areas. This is a matter of efficiency as this is a very productive office.

The Subcommittee approved the lease.

DEPARTMENT OF GENERAL SERVICES

Acquisition - Lease Amendment

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

Transaction Description: Transaction No. 06-07-913

● **Proposed Amendment**

- **Landlord:** Carthel Jack Finch and Debbie Ann Finch
- **Term:** 13 years (May 1, 2010 – April 30, 2023)
- **Area / Costs:** 6,300 Total Square Feet

Annual Contract Rent:	\$106,800.00	\$16.95/sf
Estimated Annual Utility Cost:	11,025.00	1.75/sf
Estimated Annual Janitorial Cost:	6,930.00	1.10/sf
Total Annual Effective Cost:	\$124,755.00	\$19.80/sf

● **Current Lease**

- **Location:** Fayette County – 160 Beau Tisdale Drive, Oakland, TN
- **Landlord:** Carthel Jack Finch and Debbie Ann Finch (formerly Pedigo - Oakland Properties L.P.)
- **Term:** 10 years (May 1, 2010 – April 30, 2020)
- **Area / Costs:** 6,300 Square Feet

○ Current:	Annual Contract Rent:	\$106,800.00	\$16.95/sf
	Estimated Annual Utility Cost:	8,820.00	1.40/sf
	Estimated Annual Janitorial Cost:	6,930.00	1.10/sf
	Total Annual Effective Cost:	\$122,550.00	\$19.45/sf

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

● **FRF Rate:** \$14.00

Comment: This lease will provide office space for the Department of Safety (Driver's License).

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: 01/22/2008 ESC Approved lease agreement

Minutes: 02/24/2020 Approved a lease amendment with waiver of advertisement

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: Approval of a lease

Transaction Description: Transaction No. 17-10-902

● **Proposed Lease**

- **Location:** Jefferson County – 613 West Hwy 11 E, New Market, TN
- **Landlord:** Wilmoth Family Properties, LLC
- **Term:** 10 years
- **Area / Costs:** 12,500 Square Feet

Annual Contract Rent	\$193,752.00	\$15.50/sf
Estimated Utilities Cost	21,875.00	1.75/sf
Estimated Janitorial Cost	13,750.00	1.10/sf
Total Annual Effective Cost	\$229,377.00	\$18.35/sf

● **Current Lease**

- **Location:** Jefferson County – 613 West Hwy 11 E, New Market, TN
- **Landlord:** Wilmoth Family Properties, LLC (formerly Shawn and Priscilla Wilmoth)
- **Term:** 10 years (April 1, 2007 to March 31, 2017) (Holdover)
- **Area / Costs:** 12,500 Square Feet

Annual Contract Rent	\$98,670.00	\$7.89/sf
Estimated Utilities Cost	17,500.00	1.40/sf
Estimated Janitorial Cost	13,750.00	1.10/sf
Total Annual Effective Cost	\$129,920.00	\$10.39/sf

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

Comment: This lease will provide office space for Department of Children's Services. Alternative Workplace Solutions will be implemented at this location. Three proposals from three proposers were evaluated. The proposed location will be renovated to meet the State's needs.

The State may terminate this lease for convenience at any time with 90 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.

Minutes: 02/24/2020 Approved a lease

DEPARTMENT OF GENERAL SERVICES

Acquisition – Lease (Space)

Requested Action: Approval of a lease

Transaction Description: Transaction No. 18-09-904 & 18-10-902

• **Proposed Lease**

- **Location:** Loudon County – 485 Pine Top Road, Lenoir City, TN
- **Landlord:** NSI, a Tennessee General Partnership
- **Term:** 10 years
- **Area / Costs:** 10,500 Square Feet

First Year Annual Contract Rent	\$166,950.00	\$15.90/sf
Average Annual Contract Rent	\$182,794.50	\$17.41/sf
Estimated Utilities Cost	18,375.00	1.75/sf
Estimated Janitorial Cost	11,550.00	1.10/sf
Total Average Annual Effective Cost	\$212,719.50	\$20.26/sf

• **Current Lease**

- **Location:** Loudon County – 485 Pine Top Road, Lenoir City, TN
- **Landlord:** NSI, a Tennessee General Partnership (formerly Hearthwood Properties #2 LLC)
- **Term:** 10 years (May 1, 2004 to April 30, 2014) (Holdover)
- **Area / Costs:** 10,500 Square Feet

Annual Contract Rent	\$100,000.08	\$9.52/sf
Estimated Utilities Cost	14,700.00	1.40/sf
Estimated Janitorial Cost	11,550.00	1.10/sf
Total Annual Effective Cost	\$126,250.08	\$12.02/sf

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

• **Procurement Method:** LPR on template

• **FRF Rate:** \$14.00

Comment: This lease will provide office space for Department of Human Services and the Department of Children's Services. Alternative Workplace Solutions will be implemented at this location. Seven proposals from five proposers were received. One proposer withdrew. The proposed location will be renovated to meet the State's needs.

The tenant may terminate this lease 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.

Minutes: 02/24/2020 Comptroller Wilson asked why the square footage had not changed through the Alternative Workplace Solutions (AWS) process. Deputy Commission Hull stated that they were not able to reduce size due to configuration of the lease space even though occupants implemented AWS.

The Subcommittee approved the lease.

STATE BUILDING COMMISSION

Minutes of Executive Subcommittee Meeting

- 1) Approved the Minutes of the Executive Subcommittee meeting held on January 28, 2020.

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.

Report of Items Approved by Office of the State Architect

Initial and Revised Approvals of Capital Projects

- Reported the following three capital projects with total project cost of \$100,000 - \$500,000 in accordance with Item 2.04(A)(2) of the *SBC By-Laws, Policy & Procedures*:

- 1) **State Procurement Agency:** Tennessee Board of Regents / Chattanooga State Community College
Location: Chattanooga, Tennessee
Project Title: Lift Station Replacement
Project Description: Replace the lift station outside the Energy Plant that serves 9 different buildings on campus.
SBC Project No. 166/012-03-2018
Total Project Budget: \$485,000.00
Source of Funding: \$390,000.00 18/19 CurrFunds-CapMaint (A)
\$ 95,000.00 Plant Funds (Non-Aux) (A)
Approval: Approved a revision in project budget and funding (increase of \$95,000.00)
Approval Date: 01/31/2020

- 2) **State Procurement Agency:** Tennessee Board of Regents / Roane State Community College
Location: Harriman, Tennessee
Project Title: Dunbar Classroom Elevator Replacement
Project Description: Replace elevator in the Dunbar Classroom Building and Gymnasium.
SBC Project No. 166/027-02-2018
Total Project Budget: \$442,000.00
Source of Funding: \$320,000.00 18/19 CurrFunds-CapMaint (A)
\$122,000.00 Plant Funds (Non-Aux) (A)
Approval: Approved a revision in project budget and funding (increase of \$86,000.00)
Approval Date: 02/06/2020

- 3) **State Procurement Agency:** Tennessee Technological University
- Location:** Cookeville, Tennessee
- Project Title:** Volpe Library First Floor Expansion – Phase 2
- Project Description:** Excavate the crawl spaces under A and B wings, and convert to assignable space for library operations.
- SBC Project No.** 364/011-01-2020
- Total Project Budget:** \$460,000.00
- Source of Funding:** Plant Funds (Non-Aux) (A)
- Approval:** Approved project and utilizing a previously selected designer (Maffett Loftis Engineering)
- Approval Date:** 01/31/2020

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.

- 1) **University of Tennessee – Martin**
 (Security Improvements)
 Total Project Budget: \$1,022,000.00
 SBC Project No. 540/011-02-2020
 Designer: **HAIZLIP STUDIO PLLC**

Other Business

There being no further business, the meeting adjourned at 11:06 a.m.

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UNIVERSITY OF TENNESSEEAcquisition – Lease (Land)

Requested Action: Approval of lease

Transaction Description: Transaction No. 2019-09-01

- **Proposed Lease**

- **Location:** University of Tennessee - Martin
McNairy County – 232 +/- acres – 2983 Hardin Graveyard Road, Adamsville, TN
- **Landlord:** Memphis Museums, Inc.
- **Term:** 20 years with one (1) twenty (20) year option to extend
- **Area / Costs:** See below / \$1.00 per year
- **Source of Funding:** Plant Funds (Non-Aux)
- **Procurement Method:** Negotiated
- **FRF Rate:** NA

Comment:

The Coon Creek Science Center is one of a dozen of the most significant fossil sites in North America and has yielded over 600 different species of marine creatures preserved as unaltered fossils. The University currently conducts research and education at the site and would use the property to offer enhanced undergraduate and graduate courses, public summer programming, and research. Memphis Museums, Inc. will continue to have rights to significant archaeological finds.

Improvements include a small residence, cabins, dining hall/classroom and storage sheds. This property includes two parcels and timber may be harvested and sold so long as the proceeds are reinvested in the site.

The University is responsible for maintenance and repair, utilities, and reimbursement of insurance and taxes.

Date of Last Transfer:	March 4, 1988 and November 17, 2008
Purchase Price:	\$200,000 and NA
Property Assessor's Value:	\$210,000 and \$20,000
Square Footage Improvements:	Residence – 1,788 sf; dining hall/classroom seats 50; 5-15 bed cabins (no hvac)

Previous Action: 09/16/2019 Approved waiver of advertisement

Minutes: 02/24/2020 Approved a lease

TENNESSEE WILDLIFE RESOURCES AGENCY

Acquisition – Fee (Purchase)

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

Transaction Description: Transaction No. 19-11-013

- **Location:** North Cumberland WMA (NCWMA)
Campbell County – 285 Acres – 0 Howard Baker Highway, Pioneer, TN
- **Owner(s):** R. Edward McGhee & Joseph Y. Longmire
- **Estimated Purchase Price:** Fair Market Value
- **Source of Funding:** 19/20 Wetlands Acquisition Fund (A)
- **Third Party:** The Nature Conservancy (TNC)

Comment: This property is on the wetlands priority list and has been approved for purchase by the Commissioner of Agriculture and the Executive Director of Tennessee Wildlife Resources Agency per T.C.A. §11-14-402.

This property is an inholding to the NCWMA and will be an important addition to NCWMA, as it will protect and preserve uplands and other forest functions in the NCWMA ecosystem.

The State is making efforts to close directly with the sellers but may have to close with TNC.

No additional third-party costs are anticipated.

No additional management costs are anticipated with this acquisition.

Date of Last Transfer:	May 26, 1988
Purchase Price:	\$73,710.00
Property Assessor's Value:	\$262,700.00
Square Footage Improvements:	N/A

Minutes: 02/24/2020 Approved acquisition in fee and utilizing a third party with waiver of advertisement and one appraisal

DEPARTMENT OF INTELLECTUAL & DEVELOPMENTAL DISABILITIESDisposal – Lease (Space)

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

Transaction Description: Transaction No. 20-02-006

- **Proposed Lease**

- **Location:** Clover Bottom Campus
275 Stewarts Ferry Pike, Nashville, TN
- **Tenant:** Youth Opportunity, Inc.
- **Term:** March 1, 2020 – June 30, 2021
- **Area / Costs:** 4 cottages totaling 28,480 Square Feet

Annual Contract Rent	\$149,520.00	\$5.25/sf
Estimated Annual Utility Cost	104,236.80	3.66/sf
Total Annual Effective Cost	\$253,756.80	\$8.91/sf

- **Current Lease**

- **Location:** Clover Bottom Campus
275 Stewarts Ferry Pike, Nashville, TN
- **Tenant:** TrueCore Behavioral Solutions, LLC (formerly G4S Secure Solutions Inc.)
- **Term:** 5 years (July 1, 2017 – June 30, 2022)
- **Area / Costs:** 9 cottages totaling 65,580 Square Feet

Annual Contract Rent	\$382,200.00	\$5.25/sf
Estimated Utilities Cost	266,448.00	3.66/sf
Total Annual Effective Cost	\$648,648.00	\$8.91/sf

- **FRF Rate:** \$22.50 (Reference Only)

Comment: This request is for a new lease with an approved Department of Children's Services vendor for 4 cottages (Magnolia, Rosewood, Cypress, and Walnut) located on Clover Bottom Campus.

TrueCore Behavioral Solutions, LLC gave notice to terminate their lease early effective February 29, 2020. Waiver of appraisal is requested because the new lease will be at the same rental rate as the one being terminated. That rental rate was determined by an independent, third party appraiser.

The State is responsible for the roof, structural, HVAC and lawn maintenance. The tenant, Youth Opportunity, Inc. is responsible for paying rent, all utilities, minor maintenance, and janitorial costs.

Minutes: 02/24/2020 Approved disposal by lease with waiver of advertisement and appraisal

Approved:



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