

MINUTES OF THE JOINT CAPITAL OUTLAY SUBCOMMITTEE (JCOS)

Meeting No. 12 Thursday May 6, 2010, 9:00 a.m.

Senate Hearing Room, Ground Floor, Boji , 124 W. Allegan, Lansing, Michigan 48933

The Joint Capital Outlay Subcommittee Meeting was called to order by the Chair at 9:00 a.m.

Members present: Senators: McManus, Jelinek, Brown, Cropsey, Hardiman, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott.

Representatives: Lahti, Dean, Bennett, Switalski, Durhal, Bauer, Caul, Proos, Booher, and Haines.

Members excused: Senators: None.

Representative: None.

Chair McManus placed agenda Item Number 1 before the Subcommittee.

1. MINUTES OF JOINT CAPITAL OUTLAY SUBCOMMITTEE MEETING NO. 11

With no objection, the minutes of the March 25, 2010 JCOS meeting were approved by a voice vote.

Chair McManus placed agenda Item Number 2 before the Subcommittee.

2. STATE BUILDING AUTHORITY LEASES

DMB Letter Date: 3/18/10

Senate Concurrent Resolutions would approve the conveyance of property and approve leases between the State, the State Building Authority (SBA), and various educational institutions for construction projects that have been previously approved for planning and construction by the Legislature. Approval of the resolutions would enable the SBA to issue bonds to finance the State's share of construction costs.

The projects have met all of the planning approval requirements of the Joint Capital Outlay Subcommittee and the Management and Budget Act. Approval of the resolutions would create a contractual obligation between the State and the SBA, requiring the State to make annual rental payments to the SBA. The SBA will use the rental payments to pay off the bonds sold to finance construction. Once the debt obligations are satisfied, the SBA will transfer title back to the institutions, or in the case of State facility projects, the State.

- a. **Ferris State University (FSU) - Center for Collaborative Health Education.** The proposed new 87,245 gross sq. ft. modern health-care facility includes academic, laboratory, and clinical areas to support teaching, research and patient care for the Michigan College of Optometry. Estimated completion date: January 31, 2011.
- b. **Kalamazoo Valley Community College (KVCC) - Texas Township Campus Expansion.** The project includes a new 33,000 sq. ft. addition that will house a student services area (Student Success Center, Admissions, Records, Registration, Financial Aid, Transfer students, Central Receiving, and a 150 seat Lecture Hall/Orientation Room). Existing geology and physics labs will be remodeled and upgraded. The project also includes the expansion of faculty offices, creation of student waiting areas, additional conference room space, a multipurpose science lab, additional classroom space, and the expansion of existing parking areas. Estimated completion date: December 31, 2010.

- c. **Southwestern Michigan College (SMC) - Technology Building Renovation and Expansion.** The project involves the renovation of 8,780 sq. ft. of the classroom section of the Kairis Technology Building and a 2,304 sq. ft. addition that will provide additional automotive repair bays. The renovated classroom space will include a flexible area that can be transformed into two classrooms. In addition, a large vocational technology lab will be created providing flexible instructional space. A physics/math classroom, faculty offices, and meeting area are also part of the project. Infrastructure improvements include computer technology enhancements, resurfacing the parking lot and driveway, HVAC and utility upgrades, and ADA compliance issues. Estimated completion date: June 30, 2010.

Representative Booher moved approval of the leases, supported by Senator Pappageorge.

The motion prevailed by a vote of 20-0-0.

Yeas: Senators: McManus, Jelinek, Brown, Cropsey, Hardiman, Pappageorge, Switalski, Cherry, Clark-Coleman, and Scott.

Representatives: Lahti, Dean, Bennett, Switalski, Durhal, Bauer, Caul, Proos, Booher, and Haines.

Nays: None.

NV/Excused: None.

Chair McManus placed agenda Item Number 3a before the Subcommittee.

3. LEASES FOR PRIVATE PROPERTY

ITEM 3a: DHS Lease for Private Property - Flint

The purpose of this Lease is to provide a new space for the Department of Human Services (DHS) off Pierson Road in Flint. The current facility has been occupied by DHS for 20 years, and the lease expires 09/30/10. It is in a state of disrepair, and has extensive environmental and safety issues that have resulted in an emergency relocation of staff.

ITEM 3a		
DMB Letter Date:	April 21, 2010	
Lease Number:	11428-2009	
Department:	Human Services (DHS)	
Location:	4817-4829 Clio Road, Flint, Michigan	
Lessor:	MIG Investments, LLC	
Square Footage/Use:	40,734 s.f./ District Office	
Lease Costs:		
Annual	\$621,194*	*The 1 st year rent is free and an allowance of \$8.25/s.f. (\$336,056) for moving is also included, for an initial year benefit of <u>\$957,250</u> and resulting in a Net Present Value (NPV) of Effective (Average) Rent of \$403,102/year.
Monthly	\$51,766	
Per Sq. Ft.	\$15.25	
Increases	\$0.50/s.f. in the 11 th year and every 5 years thereafter	
Renovation Costs:	None to State, included in rent	
Utilities:	Yes - gas, electric, water/sewer	
Management Fee:	No	
Taxes:	Yes, \$0.20/s.f.	
Operating Costs:	Janitorial services and supplies, building and grounds maintenance and supplies	
Lease Terms:	30 years	
Option to Purchase:	Yes, the building may be purchased for \$1 at the end of the term. A State Building Authority project was not considered for this	

	project due to timing constraints related to the lease expiration and condition of the existing facility.
Existing Space:	The existing space has been occupied by DHS for 20 years. The building is in deteriorated condition, and presents safety and environmental issues that have resulted in an emergency relocation of staff (mold, mushrooms growing in the carpet, and continued flooding with saturated cubicles).
Bid Process:	There was two RFP's solicited for this project, because boundaries were changed by the agency subsequent to the first RFP to better serve the targeted client population migration (north side of Flint). There were a total of 16 proposals received, with responses ranging from \$15.50 to \$31.80 per square foot, being a combination of net and gross leases. The final rental rate was negotiated down from the lowest proposal amount, and is within market for comparable space in this sub-market.
Other Issues/Comments:	This lease is located in a City of Promise. The City of Flint has been very supportive of this project.

Senator Cherry moved approval, supported by Senator Scott.

The motion prevailed by a vote of 20-0-0.

Yeas: Senators: McManus, Jelinek, Brown, Cropsey, Hardiman, Pappageorge, Switalski, Cherry, Clark-Coleman, and Scott.

Representatives: Lahti, Dean, Bennett, Switalski, Durhal, Bauer, Caul, Proos, Booher, and Haines.

Nays: None.

NV/Excused: None.

Chair McManus placed agenda Item Number 3b before the Subcommittee.

ITEM 3b: ADDENDUM TO DHS LEASE FOR PRIVATE PROPERTY

The purpose of this Addendum is to amend a Lease Agreement for the Department of Human Services (DHS) that was approved by JCOS on December 4, 2008. It revises the leased square footage by a nominal increase of 3%, and adjusts the rental rate to reflect the installation of a storm water retention system beneath employee and client parking lots. The relocation of the parking lot closer to the building was requested by DHS to improve the security of both employees and visitors. The retention pond could not be relocated on site, so it was necessary to install it under the paved parking surface, which increased project costs.

Lease Overview

ITEM 3b	
DMB Letter Date:	April 21, 2010
Lease Number:	11328
Department:	Human Services (DHS)
Location:	25637 Ecorse Road, Taylor, MI 48180
Lessor:	Cranbrook Court, LLC
Square Footage/Use:	31,959 – office space

Lease Costs:	
Annual:	\$493,767
Monthly:	\$41,147
Per Sq. Ft.:	\$15.45
Increases:	\$2.24/s.f. every five years
Renovation Costs:	None to state, included in rent
Utilities:	Yes, gas, electric, water/sewer
Management Fee:	No
Taxes:	No
Operating Costs:	Janitorial services and supplies
Lease Terms:	10 years with 2, 5-year renewal options
Option to Purchase:	None
Existing Space:	The existing space has been occupied by DHS for 32 years, and is in deteriorated condition. The current number of staff exceeds building capacity, and the parking lot cannot accommodate customer or staff parking requirements.
Bid Process:	N/A. This is an Addendum to a Lease Agreement that was approved by JCOS in December, 2008. The approved Lease was competitively bid through a public solicitation. The rental rate of this Addendum is within market range for comparable space in this sub-market.
Other:	The project is scheduled for completion by July 19, 2010.

Senator Scott moved approval, supported by Representative Durhal.

The motion prevailed by a vote of 20-0-0.

Yeas: Senators: McManus, Jelinek, Brown, Cropsey, Hardiman, Pappageorge, Switalski, Cherry, Clark-Coleman, and Scott.

Representatives: Lahti, Dean, Bennett, Switalski, Durhal, Bauer, Caul, Proos, Booher, and Haines.

Nays: None.

NV/Excused: None.

Chair McManus placed agenda Item Number 4 before the Subcommittee.

4. USE AND FINANCE STATEMENTS

The Department of Management and Budget is requesting approval of Use and Finance Statements for projects at various institutions. The projects are funded entirely from institution revenues. Subcommittee approval would allow the self-funded projects to commence, but does not commit State funds for construction, maintenance, or operation of the facilities.

	DMB Letter	Project	Cost	Financing	Annual Operating
	4/14/10	Central Michigan University – Brooks Hall Mechanical, Electric and Plumbing Infrastructure Replacement, cost increase. This project was approved by JCOS on 2/14/08 at a cost of \$5,650,000. Design errors have resulted in the cost increasing by \$2,170,000, to \$7,820,000. Estimated completion date: August 2010.	\$2,170,000	University Capital Construction Reserves/ Deferred Maintenance Funds	\$(32,000)

Senator Cropsey moved approval, supported by Representative Caul.

The motion prevailed by a vote of 20-0-0.

Yeas: Senators: McManus, Jelinek, Brown, Cropsey, Hardiman, Pappageorge, Switalski, Cherry, Clark-Coleman, and Scott.

Representatives: Lahti, Dean, Bennett, Switalski, Durhal, Bauer, Caul, Proos, Booher, and Haines.

Nays: None.

NV/Excused: None.

There being no further business before the JCOS, Chair McManus adjourned the meeting, the time being 9:15 a.m.

Senator Michelle A. McManus, Chair _____

Pam Yeomans, Committee Clerk, (517) 373-2768