

MINUTES OF THE JOINT CAPITAL OUTLAY SUBCOMMITTEE (JCOS)
Meeting No. 7, Tuesday, November 12, 2009, 9:00 a.m.
Senate Hearing Room, Ground Floor, Boji , 124 W. Allegan, Lansing, Michigan 48933

The Joint Capital Outlay Subcommittee was called to order by the Chair, Senator Michelle A. McManus at 9:00 a.m.

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

Representatives Lahti, Dean, Switalski, Durhal, Bauer, Caul, Proos, and Booher

Members absent/excused: Senator Cropsey and Representatives Bennett and Haines.

Chair McManus placed agenda Item Number 1 before the Subcommittee.

1. MINUTES OF JOINT CAPITAL OUTLAY SUBCOMMITTEE MEETING NO. 6

Senator Jelinek moved, supported by Senator Hardiman, that the minutes be approved.

With no objection, the minutes of the September 22, 2009 JCOS meeting were approved by a voice vote.

Chair McManus placed agenda Item Number 2 before the Subcommittee.

2. CONSTRUCTION AUTHORIZATION

DMB Letter Date: 11/02/09

The Department of Management and Budget has approved program and schematic planning documents for the Human Health Building project at Oakland University, and is requesting subcommittee approval of these planning documents. The project received planning authorization in PA 278 of 2008. The new 160,260-sq. ft. (net assignable area of 97,645 sq. ft.) building will house the School of Health Sciences and the School of Nursing. The new facility will provide state-of-the-art instructional and research space including clinical laboratories, computer labs, simulation labs, and administration space.

The Management and Budget Act requires the Department of Management and Budget to review planning documents and then submit them to the JCOS for consideration. These planning documents have yielded a construction cost estimate of \$61,748,100, which is consistent with the amounts listed in the planning authorization. This cost will be financed \$40 million (64.8%) from the State and \$21,748,100 (35.2%) from institution resources. The Department of Management and Budget requests a cost authorization be established in the next available appropriations bill so that final design and construction may commence.

Rochelle Black, Oakland University Vice President for Government Relations and John W. Beaghan, Oakland University Vice President for Finance and Administration were available for specific questions on the project.

Senator Hardiman moved approval, supported by Senator Jelinek.

The motion prevailed by a vote of 12-0-8.

Yeas: Senators McManus, Jelinek, Hardiman, Switalski, Clark-Coleman and Scott
Representatives Lahti, Switalski, Bauer, Caul, Proos, and Booher

Nays: 0

NV/Excused: Senators Brown, Cropsey, Pappageorge, and Cherry
Representatives Dean, Bennett, Durhal, and Haines

Chair McManus placed agenda Item Number 3 before the Subcommittee.

3. CONSTRUCTION AUTHORIZATION

DMB Letter Date: 11/02/09

The Department of Management and Budget has approved program and schematic planning documents for the Great Lakes Research Center (GLRC) project at Michigan Technological University, and is requesting subcommittee approval of these planning documents. The project received planning authorization in PA 278 of 2008. The GLRC will consist of 49,466 gross sq. ft. (net assignable area of 28,038 sq. ft.) and will include aquatic research laboratories, a hydraulics laboratory, coastal research instrumentation, boathouse facilities, offices, and meeting rooms. The facility will be located on the waterfront adjacent to the campus.

The Management and Budget Act requires the Department of Management and Budget to review planning documents and then submit them to the JCOS for consideration. These planning documents have yielded a construction cost estimate of \$25,337,000. The amount is \$337,000 higher than the amount listed in the planning authorization. The increase is due to the addition of space for a computational research center beyond what is necessary for the operation of the GLRC. The cost increase will be funded entirely by the institution. The total project cost will be financed \$18,750,000 (74%) from the State and \$6,587,000 (26%) from institution resources. The Department of Management and Budget requests a cost authorization be established in the next available appropriations bill so that final design and construction may commence.

Dale R. Tahtinen, Michigan Technological University Vice President for Government Relations and Secretary to the Board of Control, answered questions regarding the project.

Representative Lahti moved approval, supported by Senator McManus.

The motion prevailed by a vote of 13-0-7.

Yeas: Senators McManus, Jelinek, Brown, Hardiman, Switalski, Clark-Coleman and Scott
Representatives Lahti, Switalski, Bauer, Caul, Proos, and Booher

Nays: 0

NV/Excused: Senators Cropsey, Pappageorge, and Cherry
Representatives Dean, Bennett, Durhal, and Haines

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
A	10/2/09	Oakland Community College, Building P (Auburn Hills Campus) – Boiler, HVAC & Electrical Switchgear Equipment Replacement. Building P, constructed in 1967, houses the primary mechanical and electrical equipment for the Auburn Hills Campus. The equipment has exceeded its useful life, and service requirements are frequent and replacement parts are difficult to obtain. Estimated completion date: December 2010.	\$4,836,900	College property tax revenue	To be determined, inflationary adjustments thereafter.

B	10/23/09	Wayne State University, Chemistry Building Renovation – Phase II, Revised. This project was initially approved by JCOS on June 4, 2009 at a cost of \$30.0 million. The project includes the demolition of the interior of the south half of the existing building and reconstruction of laboratory and support areas for approximately 96,000 sq. ft. of space. Mechanical and electrical secondary distribution systems will be replaced. The proposed increase will fund the development of a Central Chilled Water Plant to be located in the Chemistry Building. This will result in a more efficient chilled water production plant design and support the cooling needs of four buildings. Estimated savings include \$115,400 annually in electricity costs.	\$1,100,0000	Bond proceeds and University capital reserves	(\$115,400)
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Dan Gustafson, lobbyist firm representing Oakland Community College, John Davis, WSU Vice President, Treasurer and Chief Financial Officer and Jim Sears, WSU Associate Vice President for Facilities Management were available to answer questions.

Senator Clark-Coleman moved approval, supported by Senator Pappageorge.

The motion prevailed by a vote of 15-0-5

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

Representatives Lahti, Switalski, Bauer, Caul, Proos, and Booher

Nays: 0

NV/Excused: Senator Cropsey

Representatives Dean, Bennett, Durhal, and Haines

Chair McManus placed agenda Item Number 4 before the Subcommittee.

5. LEASE FOR PRIVATE PROPERTY

DMB Letter Date: 9/1/09

Pursuant to Section 221 (3) of PA 431 of 1984, the Department of Management and Budget is requesting subcommittee approval of the following lease for private property:

ITEM # 5	
DMB Letter Date:	September 1, 2009 (Revised 9/16/09)
Lease Number:	11367
Department:	Human Services
Location:	51111 Woodward Avenue, Pontiac
Lessor:	North Bay Drywall, Inc. Profit Sharing Plan and Trust, Charles R. Stephens, as Trustee
Square Footage/Use:	47,200 - Children and Family Services/Foster Care
Lease Costs:	
Annual	\$814,200 - first year free rent for an effective annual rate of \$740,096 (\$15.68 per Sq. Ft.)
Monthly	\$61,682
Per Sq. Ft.	\$15.68
Increases	None
Renovation Costs:	None to State, included in rent

Utilities:	None
Management Fee:	None
Taxes:	None
Operating Costs:	None
Lease Terms:	11 years with two 5-year options
Option to Purchase:	None
Existing Space:	Ten years. \$22.46 per square foot plus utilities and security which adds \$3.44 per square foot for a total of \$25.90/s.f. The current rental rate is above the rates for this market. The current location does not meet Executive Directive 2003-22 to be located in the downtown business district. The current lease may be canceled by the State with 90-days written notice.
Bid Process:	Request for Proposal was issued June 8, 2008. Fifteen proposals were submitted. Range of cost is from \$17.25 -\$27.20. Comparable market rate is \$21.00 per square foot. The current landlord was one of the respondents (second highest at \$25.50/s.f.).
Other Issues/Comments:	The building owner is pursuing LEED certification. Meets Executive Directive 2003-22 to be located in the central business district, City of Promise, co-location with DELEG, reuse of existing facilities.

Cost Comparison

	Proposed Lease	Current Lease	Difference
Total Sq. Ft.	47,200	30,800	16,400
Base Rental Per Sq. Ft.	\$15.68	\$22.46	(\$6.78)
Annual Base Lease Cost	\$740,096	\$692,000	\$48,096
Utilities	Included	\$67,579	(\$67,579)
Taxes	Included	Included	\$0
Operating Costs	Included	(security) \$38,408	(\$38,408)
Total Rent Per Sq. Ft.	\$15.68	\$25.90	(\$10.22)
Total Annual Cost:	\$740,096	\$797,988	(\$57,892)

Written documents were provided by Mr. Fred Gordon, attorney representing current lessor, and Bob Burns, DMB legislative liaison. Testimony was provided by:

Mr. Fred Gordon, attorney representing Joju-Rimal LLC.

Terri L. Fitzpatrick, Director, Real Estate Division, DMB, and Bob Burns, Legislative Liaison, DMB.

Brian Hengesbach, Director, Facilities Management, DHS.

Senator Switalski moved approval, supported by Senator Scott.

The motion prevailed by a vote of 15-1-4

Yeas: Senators McManus, Hardiman, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Dean, Switalski, Durhal, Bauer, Caul, Proos, and Booher

Nays: Senator Jelinek

NV/Excused: Senators Brown and Cropsey
Representatives Bennett and Haines

There being no further business before the JCOS, Chair McManus adjourned the meeting, the time being 9:50 a.m.

Senator Michelle A. McManus, Chair _____

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