

MINUTES

STATE BUILDING COMMISSION MEETING

EXECUTIVE SUB-COMMITTEE

APRIL 20, 2009

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

STATE BUILDING COMMISSION SUB-COMMITTEE MEMBERS PRESENT

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

OTHERS PRESENT

Mike Fitts, State Architect
Alan Robertson, Assistant State Architect
Georgia Martin, State Architect's Office
Jurgen Bailey, Real Property Administration
Bob King, Real Property Administration
Dottie Hagood, Real Property Administration
Melinda Parton, Comptroller's Office
Janie Porter, Attorney General's Office
Joy Harris, Treasurer's Office
Mark Wood, Secretary of State's Office
John Carr, Department of Finance & Administration
Karen Hale, Comptroller's Office
Mark Cherpack, Department of Finance and Administration
Cindi Liddell, Bond Finance
Sandi Thompson, Bond Finance
John Gregory, Tennessee Wildlife Resources Agency
Nancy Blevins, Department of Finance and Administration
Dick Tracy, Tennessee Board of Regents
Jerry Preston, Tennessee Board of Regents
Russ Deaton, THEC
Stephanie Steele, THEC

Lola Potter, Department of Finance and Administration
Alan Durham, Department of Transportation
Richard Evans, University of Tennessee
Blake Fontenay, Secretary of State's Office
Ed Eldridge, Department of Revenue
John Lamar, Department of Revenue
Sam Chessor, Department of Revenue
W. F. Brown, University of Tennessee
Patricia McDaniels, University of Tennessee
John Wilkerson, University of Tennessee
Hank Dye, University of Tennessee
Jeff Hoge, Department of Transportation
Lee Shaw, Department of Transportation
Gary Rogers, University of Tennessee
Alvin Payne, University of Tennessee
Robbi Stivers, University of Tennessee
Jan Simek, University of Tennessee
Joseph DiPietro, University of Tennessee
Kathleen Williams, TN Parks & Greenway Foundation

Commissioner Goetz called the meeting to order at 10:33 a.m. and requested action on the following matters as presented by State Architect Mike Fitts.

CONSENT AGENDA

Approved the following real property transactions, which had been reviewed and recommended for approval by Subcommittee staff:

- A. Agency: **University of Tennessee – Shelby County**
Transaction: Acquisition in fee
- B. Agency: **University of Tennessee – Shelby County**
Transaction: Disposal by lease amendment
Provision: Waiver advertisement & appraisals
- C. Agency: **Tennessee Board of Regents – Rutherford County**
Transaction: Acquisition in fee
- D. Agency: **Tennessee Board of Regents – Rutherford County**
Transaction: Lease agreement
- E. Agency: **Tennessee Wildlife Resource Agency – Anderson County**
Transaction: Disposal by easements
Provision: Waiver of advertisements & appraisals
- F. Agency: **Department of Transportation – Montgomery County**
Transaction: Lease agreement
Provision: Waiver of advertisement
- G. Agency: **Tennessee Community Service Agency – Putnam County**
Transaction: Lease agreement
Provision: Waiver of advertisement
- H. Agency: **Department of Human Services – Dyer County**
Transaction: Lease agreement
Provision: Waiver of advertisement
- I. Agency: **University of Tennessee – Knox County**
Transaction: Demolition – 2016 Lake Avenue

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 APPRAISALS as required by TCA 4-15-102 and 12-2-112.

Description: Knox County – 1,200 +/- sq. ft. in UTK's University Center, Knoxville, TN – Trans. No. 09-03-006 (Baugh)

Purpose: Disposal by lease to enter Banking Services Lease

Term: Five (5) years with one Five (5) year option

Consideration: N/A

Lessee: University of Tennessee

SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Alvin Payne stated that this RFP would be for a branch to benefit students. He stated that final lease will be brought back to SBC for final approval. Staff referred to Subcommittee with recommendation.

SC Action: 04-20-09. Jurgen Bailey presented the transaction. Comptroller Wilson stated that the University needed to check with Bond Council before going forward. Alvin Payne stated that this request is for authorization to issue an RFP and that they will bring back their recommended proposer to the Subcommittee for final approval. Subcommittee approved the request as presented.

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 APPRAISALS as required by TCA 4-15-102 and 12-2-112.

- Description: **Morgan & Scott Counties – 8,636 +/- acres – Trans. No. 09-03-009 (Baugh)**
- Purpose: Disposal by lease for oil, gas and coal bed methane lease on the leased premises less and except the existing wells and their associated unit acreage.
- Term: Five year lease, with three renewable five year options, for a total of 20 years.
- Consideration: Lease bonus of \$300,000 with yearly rental of \$35 per acre – the proposer offers a 15% annual royalty based on a sliding scale
- Lessee: CNX Gas Company LLC / Knox Energy, LLC
- SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Alvin Payne stated that they received approval from SBC in 2006 to do an RFP for this land lease. He stated that Knox Energy currently leases 250,000 acres around UT's property and has a reputation of operating a first class operation. Committee requested that UT address local concerns about potential environmental impacts on the property. Terms and considerations were also discussed. Staff referred to Subcommittee with recommendation.
- SC Action: 04-20-09. Jurgen Bailey presented the transaction. Comptroller Wilson asked what the land is currently being used for and was told that the facility is a hardwood forest management area that is being used as a teaching area for forestry and environmental sciences. Comptroller Wilson asked if this activity was consistent with educational purposes and can students observe this activity. Alvin Payne responded "yes", that the RFP requires assurances to that effect. The members discussed drilling on University of Tennessee lands and adjoining private lands.
- Commissioner Goetz stated that they have received concerns about the nature of this process, the fracturing of rocks and effect on ground water. In discussions with the Governor, he indicated the Governor would like to delay this request pending further study. The Subcommittee stated that they desired to establish a standard process for review. They suggested that they leave it up to staff to work out a reasonable review process working with the Department of Environment and Conservation. Comptroller Wilson said that the lessee needs to be reminded to get permits from TDEC. He added that, before they get to that stage, they need to have sufficient grounds to hear the scope of the issues. One way was to have people submit their comments in writing and have the University of Tennessee respond to them. Commissioner Goetz suggested that they could have a special meeting to hear comments. Secretary Hargett said that if they have

University of Tennessee – continued:

an open meeting, he'd like to have it on location. Mr. Payne commented that TDEC is very familiar with this contractor. Treasurer Lillard said he would like to hear what their track record is from multiple sources.

In discussions regarding timing, Acting President Jan Simek said the offer from the company was good until June 7. Commissioner Goetz asked staff to set a schedule and identify a proper recipient for responses. Treasurer Lillard said he would like the documents to acknowledge the contractor's responsibility for damage to county roads and bridges due to the company's operation. He asked how many people in Morgan and Scott Counties do they plan to employ, and that it should be addressed at the next meeting.

After discussion, the Subcommittee deferred the request for one month identifying Dottie Hagood, Assistant Commissioner of Real Property Administration, to receive comments for a two week period, and directed staff to post notices on the State Building Commission website soliciting questions and comments with regard to this proposal.

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 – 409 Patterson, Memphis, TN – Trans. No. 09-03-003 (Maholland)**

Purpose: Acquisition in fee to acquire property for the future enhancement of the University of Memphis Master Plan.

Source of Funding: GO Bonds

Estimated Cost: \$400,000

Owner(s): Convention of the Protestant Episcopal Church

Comment: Requesting approval to include this property as one of the designated “101” which will become “102” properties to be acquired with the GO Bonds.

SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Staff referred to Subcommittee with recommendation.

SC Action: 04-20-09. Jurgen Bailey presented the transaction. He said that the request had been approved by both the Tennessee Board of Regents Board and THEC. He said this would amend the master plan to include 102 acquisitions. Subcommittee then approved the request as presented.

DEPARTMENT OF TRANSPORTATION

LAND ITEM

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

Description: **Shelby County – 0.139 acres located in Memphis, TN Trans. No. 09-02-005 (FB)**

Purpose: Disposal in Fee of surplus right of way.

Estimated Cost: \$75,000 or better

Grantee: MLB-Uptown, LLC

Comment: Sale of surplus right of way. This is one of three requests on adjoining right of way. Sale to adjoining owners. This Parcel 3 is being requested by MLB-Uptown, LLC.

SSC Report: 03-16-09. Jurgen Bailey summarized the transaction. Staff referred to Sub-Committee with recommendation.

SC Action: 03-23-09. Jurgen Bailey presented the transaction. Subcommittee requested further information about the Grantee and deferred the request.

SC Action: 04-20-09. Jurgen Bailey presented the transaction and reported that MLB-Uptown, LLC owed \$29,678 in overdue real estate taxes. Treasurer Lillard stated that he was not inclined to give or sell land to anyone who owes County taxes. Mr. Fitts distributed research done by the Treasurer's Office indicating the amount of unpaid taxes regarding this proposer. Mr. Bailey commented that the grantee is a non-profit set up to help the housing authority. Commissioner Goetz asked if the Subcommittee should change their practices to include examination of tax liabilities for everyone with whom they transact business. Comptroller Wilson said that he thought it was a fair question and the Subcommittee could probably waive it if necessary. Treasurer Lillard said that he thought comity among governments was important. Commissioner Goetz said it would be nice to have recommendations for policy development for further purposes. After further discussion, Subcommittee voted to defer the request until the next meeting to allow the non-profit to clean up their tax burdens.

DEPARTMENT OF REVENUE

LEASE AGREEMENT

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

Location: Davidson County – 301 Plus Park Blvd., Nashville, TN – Trans. No. 08-12-900 (Lotspiech)

Purpose: To provide office space for county operations

Term: July 1, 2009 thru June 30, 2019 (10 yrs)

Proposed Amount: 21,942 Square Feet
Annual Contract Rent Incl. Utilities & Janitorial Cost: \$359,522.20 @\$16.39 / sf
Total Annual Effective Cost: \$359,522.20 @\$16.39 / sf

Current Amount: 21,942 Square Feet
Annual Contract Rent Incl. Utilities & Janitorial Cost: \$357,972.96 @\$16.31 / sf
Total Annual Effective Cost: \$357,972.96 @\$16.31 / sf

Type: New Lease – Advertised – Received four (4) proposals from four (4) proposers. Authorized to reject the lowest proposal for the second lowest proposal from the current lessor.

FRF Rate: \$18.00

Purchase Option: No

Lessor: Tennessee Real Estate Investments, GP, current lessor

Comment: The proposed lease contains the following: Proposed lease has no cancellation for the first five (5) years except for cause and/or lack of funding and 180 days thereafter; Lessor to furnish all utilities and janitorial services to the State for no additional cost.

SSC Report: 04-13-09. Bob King summarized the transaction. Staff referred to Subcommittee with recommendation.

Department of Revenue – continued:

SC Action: 04-20-09. Bob King presented the transaction. He discussed the primary reasons for rejecting the lowest proposal as lack of adequate space, security issues and cost for moving 60 employees. Subcommittee questioned how they met the qualifications to submit a proposal in the first place. Dottie Hagood responded that it was a matter of interpretation. She said the RFP should've stated the required size of parking lot rather than leaving it up to interpretation. After general discussion, Subcommittee approved the request as presented.

STATE BUILDING COMMISSION

CAPITAL PROJECTS LISTING

- 1) Treasurer Lillard distributed a draft letter from him to the architectural and engineering community regarding proposed capital projects for fiscal year 2009-2010. The Subcommittee acknowledged the Treasurer's intent to mail the letter as well as Mr. Fitts posting on the SBC website of the listing of proposed capital projects included in the Governor's budget document for FY 2009-2010.

MINUTES OF EXECUTIVE SUBCOMMITTEE MEETING

- 1) Approved the Minutes of the Executive Subcommittee meetings held on March 23 and April 6, 2009.

UNIVERSITY OF TENNESSEE

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 – 171.27 x 139.40 x 133.19 x 163.16 corner of Manassas and Madison Street, Memphis TN – Trans. No. 09-03-007 (Baugh)**
- Purpose: Acquisition in fee to purchase the property for parking and assemblage. Property is in the University Master Plan.
- Source of Funding: Land Acquisition account
- Estimated Cost: Fair Market Value
- Owner(s): The Campbell Foundation
- SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Staff referred to Subcommittee for consent agenda.
- SC Action: 04-20-09. Subcommittee approved the transaction as presented.

B.

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: Shelby County – Van Vleet Bldg., 3 North Dunlap, Memphis, TN – Trans. No. 09-03-008 (Baugh)

Purpose: Disposal by lease amendment to extend current lease by two (2) year option for renewal

Term: January 1, 2011 thru December 31, 2012 (2 yrs)

Consideration: Foundation to pay 98% of the University actual operating costs.

Lessee: University of Tennessee Research Foundation

SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

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, WAIVER OF REM FEES; not to exceed the appraised value for the property being acquired:

Description: Rutherford County – 807 Wiles Court, Murfreesboro, TN – Trans. No. 08-07-021 (Woodard)

Purpose: Acquisition in fee to purchase this property.

Source of Funding: GO Bonds

Estimated Cost: \$145,000

Owner(s): L. D. Agee

SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

TENNESSEE BOARD OF REGENTS

LEASE AGREEMENT

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

Location: Rutherford County – 825 West College Street, Murfreesboro, TN – Trans. No. 09-03-903

Purpose: To provide office space for MTSU

Term: May 15, 2009 thru May 14, 2014 (5 yrs) with option renew for an additional five (5) years.

Proposed Amount: 15,224 Square Feet

Average Annual Contract Rent:	\$182,500.00	@\$11.99 / sf
Est. Annual Utility Cost:	\$ 26,642.00	@\$ 1.75 / sf
Est. Annual Janitorial Cost:	<u>\$ 16,746.40</u>	<u>@\$ 1.10 / sf</u>
Total Annual Effective Cost:	\$225,888.40	@\$14.84 / sf

Current Amount: None

Type: New Lease – Advertised – Received two (2) proposals from two (2) proposers.

FRF Rate: \$18.00

Purchase Option: No

Lessor: Hearthstone Property Group

Comment: The proposed lease contains the following: Five year lease with an option to renew for an additional five year; should the State end lease prior to the complete amortization of the investment, state shall reimburse Lessor for the unamortized balance of the investment; rental rate shall increase 2% annually; proposed lease has ninety (90) day State cancellation.

SSC Report: 04-13-09. Bob King summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

TENNESSEE WILDLIFE RESOURCE 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 as required by TCA 4-15-102 and 12-2-112.

Description: **Anderson County – 9,000 feet by 10 feet wide at Fork Mountain, TN – Trans. No. 09-03-004 (Jackson)**

Purpose: Disposal by easement to install a 4' inch gas pipeline to gather gas from Well AH-1005.

Estimated Sale Price: \$500 REM fee

Grantee: Knox Energy / State of Tennessee gas lease deals

SSC Report: 04-13-09. Jurgen Bailey summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

DEPARTMENT OF TRANSPORTATION

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: Montgomery County -855 Kraft Street, Clarksville, TN - Trans. No. 09-01-903 (AL)

Purpose: Provide office and warehouse/ shop space to accommodate TDOT operations during renovation of state owned district garage

Term: May 1, 2009 – April 30, 2010 (1 yr)

Proposed Amount: 14,220 Square Feet

Annual Contract Rent:	\$ 82,800.00	@\$5.82/sf
Est. Annual Utility Cost:	\$ 24,885.00	@\$1.40/sf
Est. Annual Janitorial Cost:	<u>\$ 15,642.00</u>	<u>@\$1.10/sf</u>
Total Annual Effective Cost:	<u>\$123,327.00</u>	<u>@\$8.67/sf</u>

Current Amount: None

Type: New Lease – Negotiated

FRF Rate: \$8.00

Purchase Option: No

Lessor: Sidney Johnson

Comment: Proposed lease provides the following: No cancellation except for cause and/ or lack of funding; lessor to provide approximately 14,220 rsf of existing space.

SSC Report: 04-13-09. Bob King summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

TENNESSEE COMMUNITY SERVICES AGENCY

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: Putnam County – 1000 England Drive, Suite F, Cookeville, TN – Trans. No. 09-03-904

Purpose: To provide space for the CSA.

Term: April 1, 2009 thru March 31, 2010 (1 yr)

Proposed Amount: 4,161 Square Feet
Annual Contract Rent Incl. Utility & Janitorial cost: \$49,723.95 @\$11.95 / sf
Total Annual Effective Cost: \$49,723.95 @\$11.95 / sf

Current Amount: 4,161 Square Feet
Annual Contract Rent Incl. Utilities Cost: \$39,987.24 @\$ 9.61 / sf
Est. Annual Janitorial Cost: \$ 4,577.10 @\$ 1.10 / sf
Total Annual Effective Cost: \$44,564.34 @\$10.71 / sf

Type: New lease – negotiated

FRF Rate: \$18.00

Purchase Option: No

Lessor: New South Maple Partners, LLC, current lessor

Comment: The proposed lease contains the following: Proposed lease has ninety (90) day State cancellation. Lessor is to furnish all utilities and janitorial services at no additional cost to the State.

SSC Report: 04-13-09. Bob King summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

DEPARTMENT OF HUMAN SERVICES – TVTC

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: Dyer County – 1365 Morgan Road, Dyersburg, TN – Trans. No. 08-08-907 (Lotspiech)

Purpose: To office space for the TVTC operation

Term: June 1, 2009 thru May 31, 2019 (10 yrs)

Proposed Amount: 10,000 Square Feet
Annual Contract Rent: \$ 78,399.84 @\$ 7.84 / sf
Est. Annual Utility Cost: \$ 14,000.00 @\$ 1.40 / sf
Est. Annual Janitorial Cost: \$ 11,000.00 @\$ 1.10 / sf
Total Annual Effective Cost: \$103,399.84 @\$10.34 / sf

Current Amount: 10,000 Square Feet
Annual Contract Rent: \$ 78,399.84 @\$ 7.84 / sf
Est. Annual Utility Cost: \$ 14,000.00 @\$ 1.40 / sf
Est. Annual Janitorial Cost: \$ 11,000.00 @\$ 1.10 / sf
Total Annual Effective Cost: \$103,399.84 @\$10.34 / sf

Type: New Lease – Negotiated

FRF Rate: \$14.00

Purchase Option: No

Lessor: City of Dyersburg, current lessor

Comment: Proposed lease provides the following: No cancellation except for cause and/ or lack of funding; State shall be responsible for all maintenance and repairs of the leased premises.

SSC Report: 04-13-09. Bob King summarized the transaction. Staff referred to Subcommittee for consent agenda.

SC Action: 04-20-09. Subcommittee approved the transaction as presented.

UNIVERSITY OF TENNESSEE

UNIVERSITY OF TENNESSEE, KNOXVILLE, TENNESSEE

- 1) Approved a project to **Demolish House** located at 2016 Lake Avenue in Knoxville, Tennessee, as reviewed by the Tennessee Historical Commission.

Estimated Project Cost: \$15,000.00
SBC Project No. 540/009-04-2009

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