

STATE PROPERTIES REVIEW BOARD

Minutes of Meeting Held On February 15, 2024

– solely by means of electronic equipment - via telephone conference –

Pursuant to CGS §1-225a, the State Properties Review Board conducted a Regular Meeting at 9:30AM on February 15, 2024. Pursuant to the statute, this Meeting was held solely by means of electronic equipment, with Participants connecting via telephone conference at (860)-840-2075 and used Conference ID 917724280#.

The Notice provided designated this Regular Meeting as open to the public. Call in instruction were provided as: Dial toll free (860)-840-2075 and use Conference ID 917724280#. If you have any questions or need assistance to attend these Meetings, or for some reason the Call-In Numbers do not work, please contact SPRB Director Thomas Jerram, immediately, at thomas.jerram@ct.gov to make appropriate arrangements.

Members Present – solely by means of electronic equipment:

Bruce R. Josephy, Chairman
Jeffrey Berger, Vice Chairman
John P. Valengavich, Secretary
Edwin S. Greenberg
Jack Halpert
William Cianci

Members Absent:

Staff Present – solely by means of electronic equipment:

Thomas Jerram

Guests Present – solely by means of electronic equipment:

Mr. Valengavich moved and Mr. Halpert seconded a motion to enter into Open Session. The motion passed unanimously.

OPEN SESSION

1. ACCEPTANCE OF MINUTES

Mr. Valengavich moved and Mr. Berger seconded a motion to approve the minutes of the February 13, 2024 Meeting. The motion passed unanimously.

2. COMMUNICATIONS

3. REAL ESTATE- UNFINISHED BUSINESS

4. REAL ESTATE – NEW BUSINESS

PRB File #: 24-007
Transaction/Contract Type RE / Lease Renewal
Origin/Client DAS / WCC
Lessor: BostonHartford, LLC
Property: Hartford, Asylum Ave (999)
Project Purpose: Renewal for Continued Occupancy
Item Purpose: Exercise 2nd Renewal Option

The original base Lease was approved by the SPRB in 1990 under PRB #90-090 for the use of 7,784 square feet of office space on the 1st floor and parking for 25 cars. The Lease was for a 5-year term at an initial annual rent of \$13.00/nusf.

The most recent base Lease was approved by the SPRB in 2013 under PRB #13-235 for continued use of 9,974 nusf of office space for an initial five-year term, with two, five-year options. The initial rental was \$18.00/nusf on a gross basis and increase in taxes over the base year. The Lease included a first option to extend the Lease for a five-year term at \$19.18/nusf (+6.6%) and a second option at \$20.36/nusf (+6.2%).

More recently, on March 14, 2019, the SPRB under PRB #19-078, approved a five-year First Renewal Option at \$19.18/nusf (+6.6%), extending the Lease through March 17, 2024.

Under this Proposal (PRB #24-007), DAS and WCC now seek approval to exercise the Second Renewal Option for a 5-year term for continued use and occupancy of within the building, with parking for 25 cars.



The annual rental during the 5-year term of the Second Renewal Option is \$203,070.72 per year (\$20.36/NUSF). There are no options to renew the Lease. All Lessee expenses (inc over BY Taxes) are unchanged.

Item	Base Lease	Second Renewal Option
PRB#	13-235	24-007
Address	999 Asylum Avenue, Hartford, 1 st Floor	Same
Leased Premises NUSF	9,974	Same
Base Rent/SF/Year	\$18.00 (Base Rent)	\$20.36
Rental Credit	None	\$1.57/sf (-2% to \$18.79)
Initial Lease Term	3/18/2014 to 3/17/2019	3/18/2024 to 3/17/2029
First Renewal (19-078)	3/18/2019 to 3/17/2024	5 years @ \$19.18 (+6.56%)
Second Renewal (24-007)	3/18/2024 to 3/17/2029	5 years @ \$20.36 (+6.15%)
Surface Parking	25, reserved	25, reserved
Repaint/Recarpet Intervals	5 years	Lessor to provide rent credit in the amount of \$1.57/sf/year over the five year term, totaling \$78,274.55.
Additional Rent	8.79% of tax increase over base	8.79% of tax increase over base
Termination	None	None

Note: Annual taxes are \$171,036.68 (GL 2022), or approximately \$1.50/sf of finished area. Base Year Taxes (GL 2014) are estimated at \$1.28/sf.

The RFS indicates 14 staff with no vacant authorized positions. The RFS was approved by DAS on August 18, 2023. DAS stated no state-owned space is available to co-locate this WCC office.

DAS advertised the need pursuant to CGS §4b-34 in the Hartford Courant on August 24, 2023 (LP 23-27) for 9,974 nusf and parking for 37 vehicles with responses due September 8, 2023. No responses were received.

DAS Leasing Staff had provided the following rentals in support of this proposed Lease:

Lease Comparables Per Square Foot							
Property Address	Tenant	Square Feet	Term	Renewal Options	Base Rent	Operating Expenses	Total Costs
10 Columbus Blvd Hartford	GSA	5,977 RSF	10 Year Started 2/2022	0	\$22.70	N/A	\$22.70
999 Asylum Ave Hartford	JUD	15,577 NUSF	5 Year Started 4/2022	0	\$16.15	\$4.40/sf TI \$.25/sf RE Tax	\$20.80
75 Charter Oak Ave Hartford	Tai Soo Kim Partners	8,349	5 Year Starts 1/1/2024	0	20.88	4.64	\$25.52

Milestone dates for this Second Renewal Option are as follows:

- 8-18-2023 – RFS approved by DAS Deputy Commissioner Hobbs;
- 8-24-2023 – LP 23-27 for 9,974 nulf and parking for 37 vehicles;
- 9-8-2023 – Responses due to RFP;
- 10-31-2023 – Lessor waives advance 90-day Notice (12-17-2023).
- 12-17-2023 – Advance 90-day Notice to Lessor for Renewal.
- 12-28-2023 – DAS approves renewal;
- 1-04-2024 – OPM approves renewal; and
- 1-10-2023 – DAS submits Proposal to SPRB at 1:36PM (PRB #24-007).

DAS provided the following narrative in support of this proposed Lease:

WCC has occupied 9,974 NUSF w/ 25 parking spaces at this location for use as a district court since at least 2014. DAS is requesting approval to exercise the second renewal option to allow WCC's continued use and occupancy of this space.

The current lease term ends on March 17, 2024. This 5-year renewal term is to commence on March 18, 2024 and expire on March 17, 2029. Under the second renewal, the base rent will increase by 6% from \$19.18/NUSF to \$20.36/NUSF or \$191,301.36 annually to \$203,070.72 annually. This is a full gross lease. The Lessor waived the 90-Day Advanced Notice date for this renewal on October 31, 2023.

When the lease was renewed in 2019, the space was re-carpeted and re-painted. DAS and WCC have agreed that the Demised Premises does not need new carpet or paint at this time and in accordance with 4.06 and Exhibit D of the Lease, the Lessor shall provide a rent credit if the State determines that carpet and paint are not needed upon renewal. The Lessor has provided two bids, the state shall receive a rent credit in the amount of \$78,274.55. The credit shall be collected by reducing the rent by \$1.57/NUSF from \$20.36/NUSF to \$18.79/NUSF over the 5-year term of the lease.

The following is a breakdown of the terms and conditions of the second renewal option:

- **Space:** 9,974 NUSF with 25 parking spaces
- **Term:** 1 5-year renewal term remaining.
- **Rent Rate:** \$20.36/NUSF reduced to \$18.79/NUSF
- **Services:** Full Gross
- **Taxes:** None

Staff inquired with DAS regarding the following:

1. The Certificate of Insurance provided by the Lessor includes the required Commercial General Liability coverage pursuant to Article 9.01 of the Lease. Article 9.01 of the Lease also requires "Such certificates of insurance shall also specifically indicate that the policies insuring the LESSEE include, without limitation, said liability and fire and casualty insurance coverage pertaining to any and all risks described under this Article." Please clarify if Certificate of Insurance provided by the Lessor has identified the necessary fire and casualty insurance coverage articulated in Article 9.01 of the Lease.

DAS Response: The State's Insurance and Risk Director discussed the certificate of insurance submitted by the lessor, with the state's agent of record. Given that the lease doesn't require the State of CT to be listed as a loss payee on the property policy, listing it this way on the COI is acceptable.

Staff Response: OK

MARKET STATISTICS										
SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)**	UNDER CMSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Hartford CBD	7,187,255	351,846	1,903,951	31.40%	-153,335	-203,414	104,045	0	\$23.14	\$23.98
Periphery	1,898,300	5,804	103,399	5.80%	-11,381	12,205	10,419	0	\$17.52	\$23.13
Eastern Hartford	3,012,730	4,180	515,798	17.30%	11,480	13,709	62,099	0	\$20.54	\$21.41
Western Hartford	6,249,028	105,348	1,038,725	19.80%	-18,033	-172,170	134,265	0	\$19.74	\$22.00
Southern Hartford	2,721,305	87,215	369,772	16.80%	22,103	135,979	79,227	0	\$20.67	\$23.34
Northern Hartford	3,823,724	144,347	1,380,668	39.90%	8,517	-60,513	33,362	0	\$19.05	\$20.24
TOTAL MARKET	24,881,342	788,830	5,312,313	24.5%	-140,629	-384,204	454,017	0	\$21.17	\$22.58

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)**	UNDER CMSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*
Class A	14,361,934	646,902	3,276,201	27.30%	-174,113	-268,582	276,595	0	\$22.58
Class B	9,034,669	138,028	1,935,894	23.00%	31,057	-9,838	187,835	0	\$18.98
Class C	1,484,709	900	100,218	6.80%	2,427	-25,984	6,787	0	\$16.08

*Rental rate data reported on a full-service gross basis and is based on published asking lease rates of available space

Courtesy of Cushman & Wakefield

Staff recommend approval of this Proposal to renew the Lease on behalf of WCC for five years, for the following reasons:

1. The rent during the initial term is increased by 6.15% to \$20.36/nusf gross plus increase over base-year taxes;
2. DAS obtained a rental credit of \$1.57/sf/yr, pursuant Exhibit D and waiving carpet/paint requirements (effective \$18.79/nusf);
3. Real Estate Taxes are currently \$1.50/sf, of which \$1.28/sf is included in the Base Rent; and
4. The renewal rate is below current asking rates in Hartford Periphery and Western Hartford for similar space (per C & W)

5. ARCHITECT-ENGINEER - UNFINISHED BUSINESS

6. ARCHITECT-ENGINEER - NEW BUSINESS

7. OTHER BUSINESS:

Mr. Halpert moved and Mr. Berger seconded a motion to go out of Open Session into Executive Session. The motion passed unanimously.

The Board commenced meeting in Executive Session at 9:58 a.m. to discuss Personnel Matters before the Board.

EXECUTIVE SESSION

Personnel Matters

Statutory Disclosure Exemptions: 1-210(b)(2)(6)

At 10:15 a.m., Mr. Valengavich moved and Mr. Halpert seconded a motion to go out of Executive Session and into Open Session. The motion passed unanimously.

OPEN SESSION

Chairman Josephy requested a motion to approve Board Fees reimbursement for the Members attending the February 14th Personnel Subcommittee Meeting to discuss Personnel Matters before the Board, including Mr. Josephy, Mr. Berger and Mr. Greenberg. Mr. Halpert made the motion, seconded by Mr. Valengavich. The motion passed unanimously.

8. VOTES ON PRB FILE:

PRB FILE #24-007 – Mr. Halpert moved and Mr. Valengavich seconded a motion to approve PRB FILE #24-007. The motion passed unanimously.

9. NEXT MEETING – Tuesday, February 20, 2024 – will be held solely by means of electronic equipment.

The meeting adjourned.

APPROVED: _____ **Date:** _____
John Valengavich, Secretary