

STATE PROPERTIES REVIEW BOARD

Minutes of Meeting Held On December 14, 2020 – remotely via telephone conference –

Pursuant to Governor Lamont's Executive Order No. 7B regarding suspension of In-Person Open Meeting requirements, the State Properties Review Board conducted its Regular Meeting at 9:30AM on December 14, 2020 remotely via telephone conference at (866)-692-4541, passcode 85607781.

Members Present:

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

Members Absent:

Staff Present:

Dimple Desai
Thomas Jerram

Guests Present

At Chairman Greenberg's request, Vice Chairman Josephy led the meeting.

Vice Chairman Josephy called the meeting to order.

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 December 10, 2020 Meeting. The motion passed unanimously.

2. COMMUNICATIONS

Chairman Greenberg informed the Board of his conversation with Department of Agriculture Commissioner Hurlburt that took place last week.

3. REAL ESTATE- UNFINISHED BUSINESS

4. REAL ESTATE – NEW BUSINESS

PRB #	#20-218
Transaction/Contract Type:	RE / First Amendment to Lease
Origin/Client:	DAS / WCC
Property:	Hartford, Oak St (21)
Lessor:	Connecticut Education Association
Project Purpose:	Amendment to Extend Lease
Item Purpose:	First Amendment to Lease
Transaction/Contract Type:	RE / First Amendment to Lease

Background

DAS reports WCC has been occupying 17,100 square feet of office space in this building since 1994. The most recent base Lease was approved September 16, 2015 under **PRB #15-207**. The Base Lease commenced on September 29, 2015 and expired on September 28, 2020. There are 44 staff located in this office.

Under this proposal (PRB #20-218), DAS and WCC are seeking SPRB approval to this First Amendment to Lease to renew the Lease for a five-year term at a reduced rental rate and to modify the second renewal option to the same rate as the first renewal option.

The First Amendment to Lease will decrease (-16.3%) the rent in first renewal period (11-15) of the lease term from \$20.96/sf to \$17.54/sf (\$299,937/yr). The Amendment also reduces (-22.2%) the second renewal option by from \$22.54/sf to \$17.54/sf. DAS claims this Amendment will save \$719,669.40 over the 10-year term for this 'industry-paid' Agency. Requirements of Section 4.06 of the Lease (paint/carpet) are in full force for both renewal options. The Base Lease provides for a rental credit should WCC waive carpet/paint during the renewal periods.

DESCRIPTION	PRIOR LEASE	BASE LEASE	1 ST AMENDMENT
PRB #	PRB #10-137	PRB #15-207	PRB #20-218
Lessor	CEA, Inc.	CEA, Inc.	CEA, Inc.
Floor	4 (All)	4 (All)	4 (All)
Leased Premises (NUSF)	17,100	17,100	17,100
Initial Lease Term	6/21/2010 - 6/20/2015	5 years	
Base Rent/SF/Year	\$23.00	\$19.50 (\$333,450)	\$299,937 (renewal)
Additional Rent	None	None	None
Subject Renewal Options	None	5 years @ \$20.96/SF (+7.5%) 5 years @ \$22.53/SF (+7.5%)	5 years @ \$17.54/SF (-16.3%) 5 years @ \$17.54/SF (-22.2%)
Garage Parking (# spaces)	64 (4 spaces/1,000 NUSF)	64	64
Parking Rent	Included in Fixed Annual Rate noted above	Included in Fixed Annual Rate noted above	Included in Fixed Annual Rate noted above
Repaint/Recarpet Intervals	Five offices are to be recarpeted within 90 days of lease approval.	Rent credit of \$81,607.50 in lieu of new carpet & paint at commencement; new at 5 year intervals at Lessor's sole expense; otherwise rent credit paid to DAS.	Required in both renewals. The Base Lease provides for rental credit if not performed.

DAS Leasing Staff had provided the following rental comparables in support of this proposed Lease Amendment:

Lease Comparables Per Square Foot							
Property Address	Tenant	Square Feet	Term	Renewal Options	Base Rent	Operating Expenses	Total Costs
21 Oak St Hartford	Undisclosed	1,947 sf	5 Year	1	\$22.35	\$3.00	\$25.35
10 Columbus Blvd Hartford	Undisclosed	4,903 sf	5 Year	0	\$24.00	0.00	\$24.00
225 Asylum St Hartford	Undisclosed	1,787 sf	5 Year w/3 months free	1	\$26.00	\$10.00 sf for TI	\$36.00

SPRB Staff had asked following questions regarding this First Amendment to Lease.

- Does DAS seek FOIA protections during the SPRB review of this Proposal.

DAS Response: No thank you.

Staff Response: OK

RECOMMENDATION: Staff recommendation is to approve the First Amendment to Lease for WCC continued use and occupancy of 17,100 square feet in this building, for the following reasons.

- The renewal rates reduce the costs of occupancy for this industry-paid tenant.
- The RFS was initiated on July 19, 2019 and approved on October 15, 2019.
- The State Facility Plan provides for 17,000 square feet and annual expense of \$366,795.
- The need was advertised on October 24, 2019 (LP-19-22). One response was received at \$15.00/sf, which required Lessee reimbursements and tenant fit out.
- The proposed rental rate appears reasonable and is below the Cushman & Wakefield 3rd Quarter average listing price for full service gross leases of Class A Office Space in Hartford (\$22.61/sf, gross)

Lease Proposals Per Square Foot							
Property Address	Available Square Feet	Term	Renewal Options	Base Rent	Operating Expenses	Tenant Improvement	Total Costs
245 Locust St Hartford	16,000	5-year	Negotiable	\$15.00	\$4.20	\$6.25	\$25.45

MARKETBEAT FAIRFIELD COUNTY										
Office Q3 2020										
MARKET STATISTICS										
SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Greenwich CBD	1,798,516	226,381	132,085	19.9%	-38,875	-14,094	130,762	0	\$93.61	\$91.33
Greenwich Non-CBD	2,232,586	48,681	393,251	20.8%	-41,114	-35,714	55,975	0	\$42.23	\$41.96
GREENWICH	3,918,880	275,062	525,536	20.4%	-79,989	-49,808	186,737	0	\$49.09	\$49.48
Stamford CBD	7,175,726	214,742	2,075,014	31.9%	-177,207	-109,925	349,176	532,258	\$46.23	\$47.08
Stamford Non-CBD	8,916,363	961,913	2,185,716	35.3%	-264,929	-156,142	109,200	0	\$31.69	\$35.45
STAMFORD	16,092,089	1,176,655	4,260,730	33.8%	-442,136	-246,067	458,376	532,258	\$37.99	\$41.81
Darien/New Canaan	635,747	15,774	160,692	27.8%	-1,400	-1,459	14,333	0	\$34.74	\$34.97
Norwalk	5,788,299	347,385	1,685,708	35.1%	-41,072	-102,089	113,704	0	\$28.59	\$31.68
Wilton	1,628,687	74,903	426,735	30.8%	-56,121	-56,897	20,004	0	\$32.20	\$33.20
SOUTH CENTRAL	8,052,733	438,062	2,273,135	33.7%	-98,593	-160,445	148,041	0	\$29.71	\$32.34
Westport	1,261,364	40,395	187,873	18.1%	-28,500	-25,491	58,524	0	\$39.86	\$42.67
Fairfield/Southport	740,262	8,990	77,090	11.6%	-5,727	-9,594	37,767	0	\$31.15	\$31.02
CENTRAL	2,001,626	49,385	264,963	15.7%	-34,227	-35,085	96,291	0	\$37.21	\$39.49
Bridgeport	1,041,478	19,337	269,462	27.7%	-22,260	-16,234	43,079	0	\$20.86	\$25.09
Shelton/Stratford	3,569,520	91,187	524,805	17.3%	-19,559	-82,637	75,253	0	\$18.61	\$19.18
Trumbull	856,239	69,836	159,004	26.7%	-9,969	29,452	13,722	0	\$15.51	\$18.42
EASTERN	5,467,237	180,360	953,271	20.7%	-51,788	-69,419	132,054	0	\$18.70	\$20.33
Greater Danbury	3,082,016	9,218	918,738	30.1%	-360	52,049	82,878	0	\$19.04	\$19.05
FAIRFIELD COUNTY TOTALS	38,614,581	2,128,742	9,196,173	29.3%	-707,093	-508,775	1,104,377	532,258	\$31.75	\$34.41

*Rental rates reflect full service asking

PRB #

#20-219

Transaction/Contract Type:

RE / MOU

Origin/Client:

DAS / DOI / OHA

Property:

Hartford, Main St (960)

Project Purpose:

Agency Co-Location

Item Purpose:

MOU for Co-Location and Shared Expenses

Transaction/Contract Type:

RE / MOU

Background

At the December 23, 2019 SPRB Meeting, under PRB #19-248, the SPRB approved the co-location of 16 Office of Health Care Advocate (OHA) staff within approximately 3,200 square feet of leased space utilized by the Department of Insurance (DOI) at 960 Main Street, Hartford. During the Board's review of that proposal, DAS informed the Board that a Memorandum of Understanding (MOU) will be prepared to memorialize the co-location and to identify OHA shared expenses.

Under this proposal (PRB #20-219), DAS, DOI and OHA are seeking SPRB approval to this MOU to memorialize OHA's occupancy and shared expenses within the leased space at 960 Main Street. During FY-21, OHA will reimburse DOI \$70,000. Beginning in FY-22, OHA will reimburse DOI their pro-rata share (10.5%) of expenses based on OHA utilizing 4,400 square feet of space, calculated as follows.

Approximate Current Cost of Occupancy for DOI		
EXPENSE	MONTHLY	ANNUALLY
Base Rent	\$ 80,562.67	\$ 966,752.04
Parking	\$ 14,280.00	\$ 171,360.00
Electricity	\$ 5,678.80	\$ 68,145.60
Chilled Water	\$ 565.67	\$ 6,788.04
Janitorial	\$ 4,489.00	\$ 53,868.00
Taxes	\$ 5,424.44	\$ 65,093.28
TOTAL	\$ 111,000.58	\$ 1,332,006.96
Approximate Cost of Occupancy for OHA based on Pro-Rata Share (10.5%)		
Base Rent	\$ 8,495.08	\$ 101,940.96
Parking	\$ 2,333.33	\$ 28,000.00
Electricity	\$ 596.27	\$ 7,155.24
Chilled Water	\$ 59.40	\$ 712.80
Janitorial	\$ 471.35	\$ 5,656.20
Taxes	\$ 569.56	\$ 6,834.72
TOTAL	\$ 12,524.99	\$ 150,299.92

SPRB Staff had asked following questions regarding this First Amendment to Lease.

- Does DAS seek FOIA protections during the SPRB review of this Proposal.
DAS Response: No.
Staff Response: OK
- Under PRB #19-248 it was presented to the Board that there was sufficient parking provided by the Lessor in the Base Lease (120 spaces) to accommodate the 16 OHA employees. Please clarify why DAS is now requiring OHA to secure parking under a separate agreement with the operator of the Morgan Street Garage. And, if OHA is required to secure their parking, should a reduction to their pro-rata share of Base Rent be made as the Base Rent is inclusive of parking (\$110/space/month)?

DAS Response: We have confirmed with the Department of Insurance that there is not sufficient parking within the 120 spaces for OHA. An adjustment is not necessary as the money being paid by OHA is just moved from them to DOI.

Staff Response: Section 6 of the original Lease requires DOI to pay for parking unless DOI specifically terminates the parking agreement. Based on DAS response, DOI continues to pay for parking. As this is an operating expense of DOI, OHA will not be responsible for that portion of the expense in the MOU. OK

- What is the status of the Lease set to expire on July 26, 2021?
DAS Response: We are beginning to work on that, the intent is to stay in the current offices (no funds to relocate, etc...) but that will be determined once we advertise and work out rates with the current owner.
Staff Response: OK

RECOMMENDATION: Staff recommendation is to approve the MOU for OHA's continued use and occupancy of 4,400 square feet in this building, for the following reasons.

- The two Agencies are compatible in their mission.
- OHA's share of Base Rent and operating expenses are based on 10.5% pro rata share.

From PRB #19-248

The Department of Administrative Services ("DAS") is requesting SPRB approval pursuant to CGS 4b-29 for relocating 16 Office of Healthcare Advocate (OHA) employees from 450 Capitol Avenue, Hartford to leased space at 960 Main Street, Hartford, within space occupied by the Department of Insurance.

Upon completion of the relocation of the OHA employees, DAS is requesting SPRB approval pursuant to CGS 4b-29 for relocating 16 DAS/DCS employees within the School Construction Grant Program located at 450 Columbus Boulevard, Hartford to the just-vacated space at 450 Capitol Avenue, Hartford. OPM has previously approved (12-6-19) the relocation of staff pursuant to CGS 4-67g(f) "(f) Each state agency shall request and obtain the written approval of the secretary or his or her designee prior to any (1) change in ownership of state real property, (2) change in use of state real property, (3) use of state real property by an entity other than a state agency, or (4) use of state real property by a state agency other than the state agency with custody and control over such state real property. For purposes of this subsection, "state agency" does not include a constituent unit of the state system of higher education, a technical high school or an agency in the legislative or judicial branch of state government."

Staff requested clarification of the following issues to be addressed by DAS Leasing, including:

1. What is the estimated cost of relocating the OHA staff to the Main Street location?
DAS Response: Please see attached summary for full detail. The move is estimated to be \$22,559 for OHA. OK
2. How much square feet will the 16 employees occupy and is this a dedicated area, or co-mingled with Dept of Insurance (DOI)?
DAS Response: 3,200sf. It is not in a dedicated suite, but the space is grouped together for both OHA and DOI. There is shared space for conference and break rooms, etc. OK
3. Is a Memorandum of Understanding between DAS, OHA and DOI required for the co-location of a second agency within the leased building?
DAS Response: Yes, that will take some time to complete hence our reason for submitting the request in this manner right now. OK. There is no statutory requirement to have a MOU in place.
4. How does the co-location impact reimbursement of rent as DOI is an industry-paid agency? Will this relocation result in a reduction of the reimbursement to DAS?
DAS Response: DAS is not entitled to the reimbursement it is required to go to the General Fund. OK.
5. Section 6 of the original Lease for space at 960 Main St included a provision to terminate the parking arrangements with the Lessor and take full credit of \$110/car space per month from the rental rate, for a total reduction of \$158,400/yr. The First, Second and Third Amendments to Lease make no reference to the Termination and the most recent DAS Memo, dated 9-28-16, provides contradictory information regarding the parking. Did DAS exercise their rights in Section 6 of the Lease after the State's acquisition of the Morgan Street Garage in August 2013?
DAS Response: Those spaces are paid for by the lessor and located at the Morgan Street Garage. There is sufficient parking within 120 to accommodate the 16 people in. OK
6. What is the estimated cost of relocating the DAS/DCS staff to the Capitol Avenue location?
DAS Response: It is estimated to be \$13,729. OK

RECOMMENDATION: Staff recommend approval of the relocation of state employees to the two buildings for the following reasons:

- The relocation complies with CGS 4-67g(f) (OPM statutes); and
- The relocation complies with CGS 4b-29 (DAS statutes).

Sec. 4b-29. (Formerly Sec. 4-133a). Allocation of facilities to state agencies. The Commissioner of Administrative Services shall, subject to the approval of the State Properties Review Board, order the assignment and removal of state agencies, other than institutions and the Judicial Department, to and from real estate available to the state, through ownership or lease, when he deems it necessary to provide space, facilities and necessary accommodations to meet the needs of any of such agencies and when such assignment or removal will be in the best interests of the state. If any such agency fails to abide by an order of assignment or removal of the commissioner, the Commissioner of Administrative Services shall promptly inform the Governor of the reason for his order and of the failure of the agency to comply therewith. For the purposes of this section, the term "Judicial Department" does not include the courts of probate, the Division of Criminal Justice and the Public Defender Services Commission, except where they share facilities in state-maintained courts.

5. ARCHITECT-ENGINEER - UNFINISHED BUSINESS

6. ARCHITECT-ENGINEER - NEW BUSINESS

7. OTHER BUSINESS

8. VOTES ON PRB FILE:

PRB FILE #20-218 – Mr. Halpert moved and Mr. Valengavich seconded a motion to approve PRB FILE #20-218. The motion passed unanimously.

PRB FILE #20-219 – Mr. Valengavich moved and Mr. Berger seconded a motion to approve PRB FILE #20-219. The motion passed unanimously.

9. NEXT MEETING – Thursday, December 17, 2020.

The meeting adjourned.

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