

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities Committee      **Date of Meeting:** May 22, 2013

**Agenda Item:** Metropolitan State University Contract Approval Exceeding \$3 Million  
for Facility Lease

Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring

Information

**Cite policy requirement, or explain why item is on the Board agenda:**

Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires Board of Trustees approval of all contracts, including leases, valued at greater than \$3 million.

**Scheduled Presenter(s):** Brian Yolitz, Associate Vice Chancellor - Facilities

**Outline of Key Points/Policy Issues:**

The university's current lease of 54,024 square feet is scheduled to expire July 31, 2013. The new lease amendment maintains the same square footage, extends the term for five (5) years, including an additional five year option to renew, and adjusts the rent downward to reflect current market conditions. This lease amendment includes a partial contraction right in the event the university's Science Building is funded and completed during the lease term. System leases maintain a statutory right to terminate at any time with proper notice provided relocation is not to another non-state owned facility for the same use.

The university also would secure 152 additional daytime parking stalls, raising the total daytime stall count from 203 to 355. The amendment also provides the university the opportunity to add signage on the building and/or upgrade the current pylon sign.

**Background Information:**

Metropolitan State University entered into a lease at 1450 Energy Park Drive, Saint Paul, also known as Energy Technology Center (ETC) beginning in 1995. The ETC building is located in the Midway neighborhood of Saint Paul.

Starting in FY1996, Metropolitan State University leased 26,397 square feet at ETC. Due to the success of the programs at the site, the university expanded its lease incrementally every few years since its inception. The purpose of today's report is to request board approval for the university to enter into its 13<sup>th</sup> lease amendment.

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD ACTION**

**Metropolitan State University Contract Approval Exceeding \$3 Million  
for Facility Lease**

**POLICY**

Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires Board of Trustees approval of all contracts, including leases, valued at greater than \$3 million.

**BACKGROUND**

Metropolitan State University entered into a lease at 1450 Energy Park Drive, Saint Paul, also known as Energy Technology Center (ETC) beginning in 1995. The ETC building is located in the Midway neighborhood of Saint Paul, and is illustrated on **Attachment A**.

Starting in FY1996, Metropolitan State University leased 26,397 square feet at ETC. Due to the success of the programs at the site, the university expanded its lease incrementally every few years since its inception. The purpose of today's report is to request Board approval for the university to enter into its 13<sup>th</sup> lease amendment. A historical summary of the rent and square footage at ETC is contained in **Attachment B** for reference.

**MASTER PLAN**

In May 2011, Metropolitan State University presented their latest master facilities plan, which called for the establishment of a "West Metro" campus located in the western suburbs of the Twin Cities. The plan was subsequently approved by the Vice Chancellor - Chief Financial Officer. The plan would have resulted in the university transitioning the programs from ETC to the new western suburban location, and letting the ETC lease lapse. During the summer of 2012, the university extensively evaluated western Twin Cities' locations. University leadership ultimately concluded that there was not a suitable site in the western metropolitan area that would accommodate the university's existing and future student populations without substantial investments in renovation. At many sites, parking was more constrained than at ETC. After reaching this conclusion, university leadership refocused their efforts on the ETC site and sought to renegotiate and extend the lease agreement.

The broader question of how best to provide the facilities needed to meet the baccalaureate demands in the metropolitan area is now under study. The solution will require a coordinated effort that includes all the universities providing instruction and associated student support. Metropolitan State University is a participant in these broader deliberations, which will inform any new long term space planning.

## **CURRENT AMENDMENT**

The university's current lease of 54,024 square feet is scheduled to expire July 31, 2013. The new lease amendment maintains the same square footage, extends the term for five (5) years, including an additional five year option to renew, and adjusts the rent downward to reflect current market conditions. This lease amendment includes a partial contraction right in the event the university's Science Building is funded and completed during the lease term. System leases maintain a statutory right to terminate at any time with proper notice provided relocation is not to another non-state owned facility for the same use. The proposed rent terms are contained in **Attachment C**.

Of some note, the university also would secure 152 additional daytime parking stalls, raising the total daytime stall count from 203 to 355, a major deal point that will allow the university to expand its daytime class offerings. (During FY2012, the university taught 211 classes at ETC. Of those, 147 classes started at 6 p.m. or later). The amendment also provides the university the opportunity to add signage on the building and/or upgrade the current pylon sign.

A summary of major lease terms and financial analysis is contained in **Attachments D and E**.

## **RECOMMENDED COMMITTEE ACTION:**

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion.

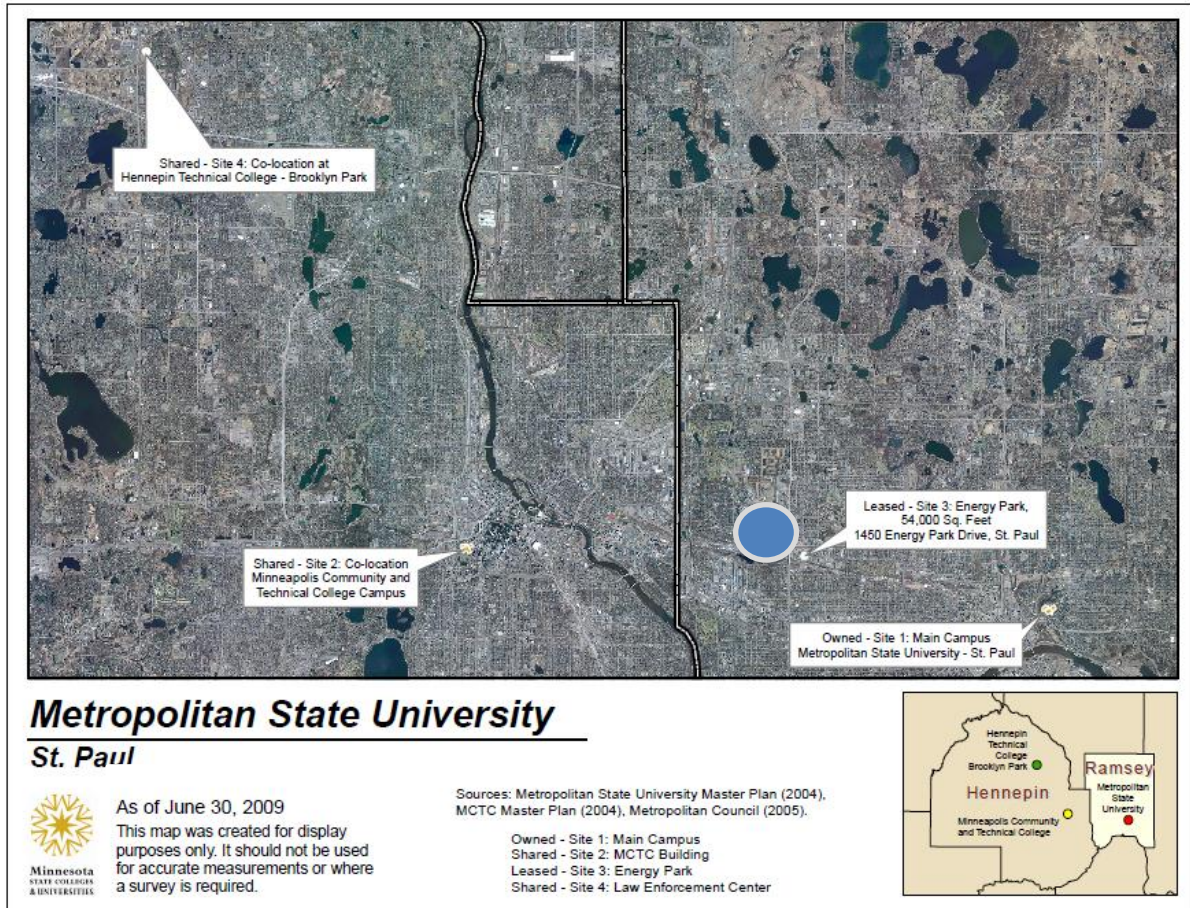
The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease documents with the owners of 1450 Energy Park Drive, Saint Paul, consistent with the terms as summarized on Attachment C, D and E.

## **RECOMMENDED MOTION:**

The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease documents with the owners of 1450 Energy Park Drive, Saint Paul, consistent with the terms as summarized on Attachment C, D and E.

*Date submitted to the Board of Trustees: May 22, 2013*

Attachment A



**Attachment B**

**ENERGY TECHNOLOGY CENTER (ETC)  
HISTORICAL LEASE SYNOPSIS**

<b>Fiscal Year</b>	<b>Rent</b>	<b>Ave. Sq. Ft.</b>	<b>Ave \$/Sq. Ft</b>
FY96*	\$ 59,393.25	26,397	\$13.50
FY97	\$ 370,333.25	26,610	\$13.92
FY98	\$ 417,319.25	28,947	\$14.42
FY99	\$ 441,662.75	29,607	\$14.92
FY00	\$ 457,366.25	29,667	\$15.42
FY01	\$ 500,879.75	31,460	\$15.92
FY02	\$ 564,833.00	34,393	\$16.42
FY03	\$ 655,523.67	38,731	\$16.92
FY04	\$ 687,888.67	39,496	\$17.42
FY05	\$ 707,636.67	39,496	\$17.92
FY06	\$ 798,770.92	39,496	\$20.22
FY07	\$ 906,848.90	47,479	\$19.10
FY08	\$ 906,848.90	47,479	\$19.10
FY09	\$ 1,039,962.00	54,024	\$19.25
FY10	\$ 1,053,468.00	54,024	\$19.50
FY11	\$ 1,134,504.00	54,024	\$21.00
FY12	\$ 1,134,504.00	54,024	\$21.00
FY13	\$ 1,134,504.00	54,024	\$21.00

\*The University had been leasing a portion of the building prior to the original lease start date of September 1, 1995.

**GROSS LEASE:** Operating costs all inclusive.

**Attachment C**

**ENERGY TECHNOLOGY CENTER (ETC)  
PROPOSED RENT TERMS**

<b>Term</b>	<b>Rent</b>	<b>Ave. Sq. Ft.</b>	<b>Ave \$/Sq. Ft</b>
8/01/13 – 7/31/14	\$ 985,938.00	54,024*	\$18.25
8/01/14 – 7/31/15	\$ 999,444.00	54,024	\$18.50
8/01/15 – 7/31/16	\$1,012,950.00	54,024	\$18.75
8/01/16 – 7/31/17	\$1,026,456.00	54,024	\$19.00
8/01/17 – 7/31/18	\$1,039,962.00	54,024	\$19.25
<b>Option to Renew</b>			
8/01/18 – 7/31/19	\$1,053,468.00	54,024**	\$19.50
8/01/19 – 7/31/20	\$1,066,974.00	54,024	\$19.75
8/01/20 – 7/31/21	\$1,080,480.00	54,024	\$20.00
8/01/21 – 7/31/22	\$1,093,986.00	54,024	\$20.25
8/01/22 – 7/31/23	\$1,107,492.00	54,024	\$20.50

\*Option to give back up to 4,317 square feet upon science building opening.

\*\*Option to give back up to 7,000 square feet during renewal term.

**PARKING:** Increases daytime parking by 152 stalls for a new total of 355 daytime stalls.

**GROSS LEASE:** Operating costs all inclusive.

**Attachment D**

**ENERGY TECHNOLOGY CENTER (ETC)  
SUMMARY OF MAJOR PROVISIONS  
LEASE AMENDMENT NO. 13**

Premises	Current: Unchanged. 54,024 square feet, occupying lower level, first and third floors.
Commencement	August 1, 2013
Term	August 1, 2013 – July 31, 2018
Rental Rate	Year 1 \$18.25 Year 2 \$18.50 Year 3 \$18.75 Year 4 \$19.00 Year 5 \$19.25
Renewal Option	Year 1 \$19.50 Year 2 \$19.75 Year 3 \$20.00 Year 4 \$20.25 Year 5 \$20.50
Contraction/ Termination	Standard right to terminate for lack of funding; statutory right to terminate (Minn. Stat. 16B.24)  Option for partial termination at no charge of up to 4,317 sq. ft. if the university's science building is constructed on main campus and labs are relocated
Parking	Current: 203 stalls for daytime use Amendment: adds 152 stalls for daytime use Total Daytime: 355 stalls Total evening: 850 stalls
Signage	Option to add exterior and pylon and new interior way-finding signage (at university's cost)

**ATTACHMENT E**

**FINANCIAL SUMMARY  
Metropolitan State University  
Lease Amendment No. 13  
Energy Technology Center  
1450 Energy Park Drive, Saint Paul**

<b>Average annual gross rent</b>	\$1,012,950
<b>NPV - 5 years at 8%</b>	\$4,036,137
<b>Average annual rent rate</b>	\$18.75 psf