

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

Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: October 21, 2014

Title: Rochester Community and Technical College Workforce Center Lease
Exceeding \$3 Million

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

Board policy requires that contracts with values greater than \$3,000,000 must be approved in advance by the Board of Trustees. The 2012 bonding bill included an \$8.746 million appropriation for the construction of a workforce center co-located on the Rochester Community and Technical College campus. The legislation directed MnSCU and the Department of Employment and Economic Development (DEED) to enter into a lease that included payments that would cover the operating costs and debt service attributable to the workforce center's use. The workforce center lease is the subject of this request and is expected to exceed \$3 million over the full term of the lease including options to renew.

Scheduled Presenter(s):

Brian Yolitz, Associate Vice Chancellor for Facilities

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

BOARD ACTION
Rochester Community and Technical College Workforce Center Lease Exceeding \$3 Million

POLICY

Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires that contracts, including amendments, with values greater than \$3,000,000 be approved in advance by the Board of Trustees.

BACKGROUND

The 2012 bonding bill included an \$8.746 million appropriation for the construction of a workforce center to be located on the Rochester Community and Technical College campus attached to a campus building. The legislation directed MnSCU and the Department of Employment and Economic Development (DEED) to enter into a lease that included payments that would cover the operating costs and debt service attributable to the workforce center's use. The location of the facility and the lease space plan is shown on **Attachment A**. The Workforce Center Addition has been completed.

The specific legislative language authorizing the co-location and lease is provided for reference on **Attachment B**.

The workforce center lease is the subject of this request with the potential to exceed \$3 million over the full term of the lease if all renewal options are exercised. The initial term of the lease is five (5) years with three (3) five (5) year options to renew. The first five year term is expected to generate approximately \$1.7 million to cover operating expenses and DEED's share of debt service. A summary of major lease terms is provided in **Attachment C**. DEED has indicated that it intends to sub-lease this space to its partner, Workforce Development, Inc. (WDI), an independent, non-profit agency serving workforce needs in southeast Minnesota, which is DEED's common practice. RCTC will have final approval on any sub-lease terms and conditions.

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 and related documents including renewals, with the Department of Employment and

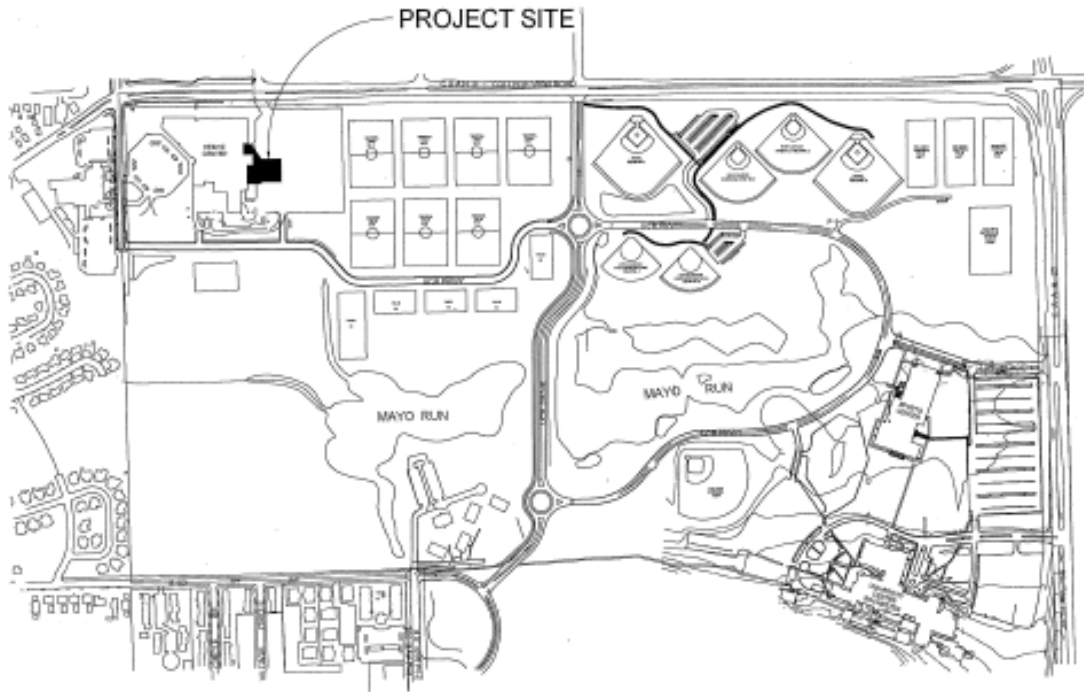
*Rochester Community and Technical College
Workforce Center Lease Exceeding \$3 Million*

Economic Development (DEED), its successor, subtenants and assigns for the co-location of the Workforce Center at the Rochester Community and Technical College campus.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees authorizes the Chancellor or his designee to execute all necessary lease and related documents including renewals, with the Department of Employment and Economic Development (DEED), its successor, subtenants and assigns for the co-location of the Workforce Center at the Rochester Community and Technical College campus.

ATTACHMENT A
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CAMPUS MAPS AND LEASED PREMISES



ATTACHMENT B

**EXCERPT OF 2012 BONDING BILL AUTHORIZATION FOR
ROCHESTER WORKFORCE CENTER**

2012 Minnesota Laws, Ch. 293, Section 3, subd. 16

“To complete the design of and to construct, furnish, and equip an addition to the Heintz Center at Rochester Community and Technical College and to renovate the heating, ventilating, and air conditioning systems. The addition will house the Rochester Area Work Force Center. The board of trustees must consult with the commissioner of employment and economic development on the design of the renovations and addition. The board must enter into a lease agreement with the commissioner of employment and economic development for use of the work force center. The lease agreement must provide that lease payments made by the commissioner will pay for the college's reasonable costs in support of the work force center and the debt service required of the board associated with the work force center portion of the project. Notwithstanding the ten-year lease limit under Minnesota Statutes, section 16B.24, subdivision 6, the commissioner of administration may enter into a lease agreement of up to 20 years for the space to house the Rochester Area Work Force Center at the Rochester Community and Technical College.”

**ATTACHMENT C
WORKFORCE CENTER LEASE
SUMMARY OF MAJOR PROVISIONS**

Leased Premises	14,694 sq. ft.	
Commencement	August 1, 2014	
Initial Term	August 1, 2014 – July 31, 2019	
Rent: Initial Term	Per Sq. Ft.	Annual Rent
	Year 1 \$13.27	\$194,989
	Year 2 \$13.73	\$201,748
	Year 3 \$14.21	\$208,801
	Year 4 \$14.71	\$216,148
	Year 5 \$15.22	\$223,642
Debt Service (20 years)	Ave: \$8.59 psf	\$126,288
Renewal Option (3 x 5 years each)	Option Term	Total Rent Per Option Term (rent is payable monthly)
	Option 1 (2019-2024)	\$1,240,908
	Option 2 (2024 – 2029)	\$1,473,367
	Option 3 (2029 – 2034)	\$1,749,909
Contraction/ Termination	Standard right to terminate for lack of funding; statutory right to terminate (Minn. Stat. 16B.24) Termination for any reason upon 180 days notice DEED's obligation to pay debt service survives termination	
Parking	43 non-designated parking stalls (\$176 per employee/year/stall)	