

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Minnesota State University, Mankato Lease Amendment

- 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 greater than \$3 million.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Brian Yolitz, Associate Vice Chancellor for Facilities

Outline of Key Points/Policy Issues: The University seeks to expand its leased location at 7700 France Avenue to accommodate current and expected growth among graduate and undergraduate programs. The new square footage is located on the same floor as the current leased space. When the university adds the additional 14,728 square feet, the landlord will be consolidating the last two years of the existing lease at the rates for the new lease. The lease consolidation will reduce the gross cost per square foot from \$27.94 to \$23.44, a \$4.50 psf reduction, and includes a \$25 per sq. ft. build out allowance for the space.

Background Information: Minnesota State University Mankato entered into a lease at 7700 France Avenue in Edina on May 28, 2008 to lease 12,271 sq. ft. for classrooms and faculty office space. They are proposing to expand their leased footprint to by 14,728 sq. ft. to a total of 26,999 sq. ft. and extend the lease term.

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

Minnesota State University, Mankato Lease Amendment

Board Policy 5.14, Procurement and Contracts, requires approval by the Board of Trustees for contracts, including real property leases, with a value greater than \$3,000,000. The proposed action item is for Board approval of Minnesota State University Mankato expanding their current lease footprint at 7700 France Avenue to accommodate the demand for classrooms to serve their students. The amended lease would add an additional 14,728 rental square feet for a total of 26,999 square feet, and is valued greater than \$3,000,000.

BACKGROUND

Minnesota State University Mankato entered into a lease at 7700 France Avenue in Edina on May 28, 2008 to lease 12,271 sq. ft. for classrooms and faculty office space. The current space includes four medium size classrooms (35-40 students), 2 seminar rooms, a computer lab, and two smaller conference rooms. The summary of original lease details are contained in **Attachment A** and incorporated by reference.

7700 France Avenue serves both undergraduate and graduate students in a variety of disciplines. A sampling of undergraduate programs include: applied organizational studies, communication studies, elementary education, English - creative writing, special education, and urban studies. Graduate options include: Community health certificate and masters program, educational leadership (including the doctorate program), masters of engineering, nursing, business administration, public administration, sociology, special education, and urban studies (certificate). The majority of the current enrollment is in the graduate segment.

Currently, evening classes are already at capacity on Tuesday, Wednesday and Thursdays, which are considered “prime time” for the target market. The university predicts that they could further expand prime time offerings with additional classroom space, and expand partnerships with two year institutions. The university has been using the building’s shared conference room facilities when classes are overbooked on a given day, which is not preferred or particularly cost effective.

Located below is a snapshot of the growth at 7700 France Avenue from its start in fiscal year 2009 to present.

Students Served at 7700 France

	# of students	Credit/Hrs	FYE
2009	424	2093	93
2010	701	4674	203
2011	687	6716	258

The 2011 numbers are 10% higher than the university’s original predictions for credit generation at 7700 France when the original lease was established, and the university is projecting continued upward trajectory of at least 10% per year. The 2011 numbers show improvement in FYE and credit hour production, representing an increase in classes that the students are taking at that location.

The current lease, which is scheduled to expire in 2013, would be amended to incorporate the new square footage and a new expiration date in 2016. The amended lease details are outlined on **Attachment B** attached and incorporated as part of this material.

The new square footage is located on the same floor as the current leased space. With the additional square footage, the landlord will be consolidating the last two years of the existing lease at the rates for the new lease. The consolidation will reduce the gross cost per square foot from \$27.94 to \$23.44, a \$4.50 psf reduction, and includes a \$25 per sq. ft. build out allowance for the space.

RECOMMENDED COMMITTEE ACTION:

The Facilities/Finance/Technology Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees approves amending the current lease at 7700 France Avenue, Edina, Minnesota, and adding approximately ~~14,128~~ **14,728** rentable square feet, consistent with the business terms as contained in **Attachment A and B**, subject to final approval of the lease terms by the Chancellor or his designee.

RECOMMENDED MOTION:

The Board of Trustees approves amending the current lease at 7700 France Avenue, Edina, Minnesota, and adding approximately ~~14,128~~ **14,728** rentable square feet, consistent with the business terms as contained in **Attachment A and B**, subject to final approval of the lease terms by the Chancellor or his designee.

Date Presented to the Board: April 20, 2011

CURRENT LEASE TERMS

Leased Premises:	12,271 rentable square feet
Term:	5 years (August 1, 2008 – July 31, 2013)
Years Left in Term:	2 years 3 months
Rent (as of April 2011):	
Annual	\$330,581
Per Month	\$ 27,548
Per sq. ft.	\$26.94 (gross rent)
Last 2 years (effective August 1, 2011)	
Year 4	\$27.94 psf
Year 5	\$28.94 psf
Rent to date:	\$954,930

PROPOSED LEASE TERMS

Adding Sq. Footage and Lease Term

Extension: 5 years (August 1, 2011 – July 31, 2016)

Total Sq. Ft: 26,999 sq. ft.

Added sq. ft. 14,728 sq. ft.

Original sq. ft. 12,271 sq. ft.

New Rent Rate (gross rate):

Year 1 \$23.44 psf (reduced from \$27.94 psf in original)

Year 2 \$23.89 psf (reduced from \$28.94 psf in original)

Year 3 \$23.00 psf

Year 4 \$23.25 psf

Year 5 \$23.50 psf

Tenant Allowance: \$25 psf to build out the added sq. ft

Average Rent: \$23.42 psf

Total Rent: \$3,161,042.92