

AGENCY: Department of Administration, Facilities Management and Property Services

SUBJECT: Medical University of South Carolina Lease - 176 Croghan Spur Road in Charleston

The Medical University of South Carolina (MUSC) is requesting approval to continue leasing 7,267 square feet (SF) located at 176 Croghan Spur Road in Charleston from R-WINN ALBEMARLE LLC, R-WINN III ALBEMARLE LLC, and ROSS ALBEMARLE, LLC (collectively the "Landlord") for MUSC's Psychiatry Family Services Research Department.

A solicitation was conducted and the selected location was the only response received.

MUSC will exercise the Renewal Term contained in the current lease which shall be for five (5) years beginning on August 28, 2017. Basic rent for the first year of the Renewal Term shall be \$28.40/SF; which includes an allocation of \$10.73/SF for operating expenses. Thereafter, basic rent shall increase annually as detailed in the table below. After the first year of the Renewal Term, MUSC will also be responsible for any operating costs exceeding the initial year allocation, subject to a cap of three (3) percent. As such, the maximum amount the agency could pay over the term is \$1,067,740.30.

	<u>PERIOD</u>	<u>ANNUAL RENT</u>	<u>MONTHLY RENT</u>	<u>RENT PER SF</u>	<u>MAX OPERATING COST</u>	<u>TOTAL</u>
YR 1	08/28/2017 to 08/27/2018	\$206,382.84	\$17,198.57	\$ 28.40 rounded	\$0.00	\$206,382.80
YR 2	08/28/2018 to 08/27/2019	\$208,926.24	\$17,410.52	\$ 28.75 rounded	\$2,325.44	\$211,251.68
YR 3	08/28/2019 to 08/27/2020	\$211,542.36	\$17,628.53	\$ 29.11 rounded	\$2,398.11	\$213,940.47
YR 4	08/28/2020 to 08/27/2021	\$214,231.20	\$17,852.60	\$ 29.48 rounded	\$2,470.78	\$216,701.98
YR 5	08/28/2021 to 08/27/2022	\$216,919.92	\$18,076.66	\$ 29.85 rounded	\$2,543.45	\$219,463.37
Total						\$1,067,740.30

AGENCY: Department of Administration, Facilities Management and Property Services

SUBJECT: Medical University of South Carolina Lease - 176 Croghan Spur Road in Charleston

The following chart represents comparable lease rates of similar space in the downtown Charleston area:

Tenant	Location	Rate
Clemson University	701 East Bay Street	\$34.59/SF
Vacant	550 King Street	\$34.00/SF
Vacant	205 King Street	\$39.00/SF

Above rates are subject to base rent and operating expense escalations over the term.

The lease contains sufficient free surface parking surrounding the building.

There are adequate funds for the lease according to the Budget Approval Form submitted by the agency. The lease was approved by the MUSC Board of Trustees on February 10, 2012 (original lease and renewal), the Commission on Higher Education on June 1, 2017, and JBRC on June 6, 2017.

AUTHORITY ACTION REQUESTED:

Approve the proposed lease for the Medical University of South Carolina at 176 Croghan Spur Road in Charleston.

ATTACHMENTS:

Agenda item worksheet; SC Code of Laws Sections 1-11-55 and 1-11-56; MUSC Letter Dated April 25, 2017

STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

Meeting Scheduled for: June 13, 2017

Regular Agenda

1. Submitted by:

- (a) Agency: Department of Administration
- (b) Authorized Official Signature:



Ashlie Lancaster, Director
Facilities Management and Property Services

2. Subject: Medical University of South Carolina Lease- 176 Croghan Spur Road in Charleston

3. Summary Background Information:

The Medical University of South Carolina (MUSC) is requesting approval to continue leasing 7,267 square feet (SF) located at 176 Croghan Spur Road in Charleston from R-WINN ALBEMARLE LLC, R-WINN III ALBEMARLE LLC, and ROSS ALBEMARLE, LLC (collectively the "Landlord") for MUSC's Psychiatry Family Services Research Department.

A solicitation was conducted and the selected location was the only response received.

MUSC will exercise the Renewal Term contained in the current lease which shall be for five (5) years beginning on August 28, 2017. Basic rent for the first year of the Renewal Term shall be \$28.40/SF; which includes an allocation of \$10.73/SF for operating expenses. Thereafter, basic rent shall increase annually as detailed in the table below. After the first year of the Renewal Term, MUSC will also be responsible for any operating costs exceeding the initial year allocation, subject to a cap of three (3) percent. As such, the maximum amount the agency could pay over the term is \$1,067,740.30.

	<u>PERIOD</u>	<u>ANNUAL RENT</u>	<u>MONTHLY RENT</u>	<u>RENT PER SF</u>	<u>MAX OPERATING COST</u>	<u>TOTAL</u>
YR 1	08/28/2017 to 08/27/2018	\$206,382.84	\$17,198.57	\$ 28.40 rounded	\$0.00	\$206,382.80
YR 2	08/28/2018 to 08/27/2019	\$208,926.24	\$17,410.52	\$ 28.75 rounded	\$2,325.44	\$211,251.68

YR 3	08/28/2019 to 08/27/2020	\$211,542.36	\$17,628.53	\$ 29.11 rounded	\$2,398.11	\$213,940.47
YR 4	08/28/2020 to 08/27/2021	\$214,231.20	\$17,852.60	\$ 29.48 rounded	\$2,470.78	\$216,701.98
YR 5	08/28/2021 to 08/27/2022	\$216,919.92	\$18,076.66	\$ 29.85 rounded	\$2,543.45	\$219,463.37
Total						\$1,067,740.30

The following chart represents comparable lease rates of similar space in the downtown Charleston area:

Tenant	Location	Rate
Clemson University	701 East Bay Street	\$34.59/SF
Vacant	550 King Street	\$34.00/SF
Vacant	205 King Street	\$39.00/SF

Above rates are subject to base rent and operating expense escalations over the term.

The lease contains sufficient free surface parking surrounding the building.

There are adequate funds for the lease according to the Budget Approval Form submitted by the agency. The lease was approved by the MUSC Board of Trustees on February 10, 2012 (original lease and renewal), the Commission on Higher Education on June 1, 2017, and JBRC on June 6, 2017.

4. What is the Authority asked to do? Approve the proposed lease for the Medical University of South Carolina at 176 Croghan Spur Road in Charleston.

5. What is recommendation of the Department of Administration? Approve the proposed lease for the Medical University of South Carolina at 176 Croghan Spur Road in Charleston.

6. List of Supporting Documents:

- SC Code of Laws Sections 1-11-55 and 1-11-56
- MUSC Letter Dated April 25, 2017

SECTION 1-11-55. Leasing of real property for governmental bodies.

(1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, agency, government corporation, or other establishment or official of the executive branch of this State. Governmental body excludes the General Assembly, Legislative Council, the Legislative Services Agency, the judicial department and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Division of General Services of the Department of Administration is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section. However, a technical college, with the approval by the State Board for Technical and Comprehensive Education, and a public institution of higher learning, may enter into any lease agreement or renew any lease agreement up to one hundred thousand dollars annually for each property or facility.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Division of General Services of its requirement on rental request forms prepared by the division. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the division agree meets necessary requirements and standards for state leasing as prescribed in procedures of the department as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The department shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Division of General Services of the Department of Administration or his designee.

HISTORY: 1997 Act No. 153, Section 2; 2002 Act No. 333, Section 1; 2002 Act No. 356, Section 1, Pt VI.P(1); 2011 Act No. 74, Pt VI, Section 13, eff August 1, 2011; 2013 Act No. 31, Section 1, eff May 21, 2013; 2014 Act No. 121 (S.22), Pt V, Section 7.A, eff July 1, 2015.

Code Commissioner's Note

The last sentence in subsection (2), which was added by 2011 Act No. 74, was inadvertently omitted from 2014 Act No. 121 due to a scrivener's error. At the direction of the Code Commissioner, this sentence has been retained in subsection (2).

Effect of Amendment

The 2011 amendment, in subsection (2), added the third sentence relating to technical colleges.

The 2013 amendment, in subsection (1), substituted "Legislative Services Agency" for "Office of Legislative Printing, Information and Technology Systems".

2014 Act No. 121, Section 7.A, in subsection (1), substituted "agency, government corporation, or other establishment or official of the executive branch" for "legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches"; in subsection (2), substituted "Division of General Services of the Department of Administration" for "Budget and Control Board"; in subsection (3) substituted "division" for "office" in three instances, and substituted "department" for "board"; in subsection (4), substituted "department" for "board"; and in subsection (5), substituted "Division of General Services of the Department of Administration" for "Office of General Services".

SECTION 1-11-56. Program to manage leasing; procedures.

(A) The Division of General Services of the Department of Administration, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of a governmental body. The department must submit regulations for the implementation of this section to the General Assembly as provided in the Administrative Procedures Act, Chapter 23, Title 1. The department's regulations, upon General Assembly approval, shall include procedures for:

- (1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;
- (2) establishing standards for the quality and quantity of space to be leased by a requesting agency;
- (3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:
 - (a) a nonappropriation for the renting agency;
 - (b) a dissolution of the agency; and

- (c) the availability of public space in substitution for private space being leased by the agency;
- (4) rejecting an agency's request for additional space or space at a specific location, or both;
- (5) directing agencies to be located in public space, when available, before private space can be leased;
- (6) requiring the agency to submit a multiyear financial plan for review by the department with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and
- (7) requiring prior review by the Joint Bond Review Committee and the requirement of State Fiscal Accountability Authority approval before the adoption of any new or renewal lease that commits more than two hundred thousand dollars annually in rental or lease payments or more than one million dollars in such payments in a five-year period.

(B) Leases or rental agreements involving amounts below the thresholds provided in subsection (A)(7) may be executed by the Department of Administration without this prior review by the Joint Bond Review Committee and approval by the State Fiscal Accountability Authority.

(C) The threshold requirements requiring review by the Joint Bond Review Committee and approval by the State Fiscal Accountability Authority as contained in subsection (A)(7) also apply to leases or rental agreements with nonstate entities whether or not the state or its agencies or departments is the lessee or lessor.

HISTORY: 1997 Act No. 153, Section 2; 2014 Act No. 121 (S.22), Pt V, Section 7.B, eff July 1, 2015.

Effect of Amendment

2014 Act No. 121, Section 7.B, added subsection designator (A); in subsection (A), substituted "Division of General Services of the Department of Administration" for "State Budget and Control Board", substituted "a governmental body" for "state agencies", and added the second sentence relating to regulations; in subsection (A)(6), substituted "department" for "board's budget office", and deleted text relating to prior review by the Joint Bond Review Committee; rewrote subsection (A)(7); and added subsections (B) and (C) .



Office of Space Management Support
28 Ehrhardt Street, MSC 205
Charleston, SC 29425
843-792-5996

April 25, 2017

Ashlie Lancaster
Innovations Director
Office of the Executive Director
Department of Administration
1200 Senate Street, Suite 460
Columbia, SC 29201

RE: 176 Croghan Spur Road / Lease Renewal Request

Dear Ms. Lancaster:

The Medical University of South Carolina (MUSC) requests to exercise our option to extend the lease agreement for 176 Croghan Spur Road (#CL003057) expiring August 27, 2017. This lease agreement is for 7,267 rental square feet of space occupied by MUSC Psychiatry Family Services Research Department. The MUSC Board of Trustees approved the initial lease term and extension(s) at their February 2012 board meeting, agenda and approval attached.

MUSC requests this lease extension be presented to the JBRC June 6th and the SFAA June 13th for approval. A request to the Commission on Higher Education has also been made for approval at their June 1st meeting.

Requested Lease Term:

Lease Term: 5 Years
Square Footage: 7,267
Lease Type: Full Service

Rent for Total Term: \$1,058,002.56

Yr 1:	\$206,382.84	\$28.40 sf rounded
Yr 2:	\$208,926.24	\$28.75 sf rounded
Yr 3:	\$211,542.36	\$29.11 sf rounded
Yr 4:	\$214,231.20	\$29.48 sf rounded
Yr 5:	\$216,919.92	\$29.85 sf rounded

Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Rachel Jones". The signature is written in a cursive, flowing style.

Rachel Jones
Medical University of South Carolina
Leasing Manager