STATE FISCAL ACCOUNTABILITY AUTHORITY
MEETING OF December 17, 2020

REGULAR SESSION
ITEM NUMBER 8

AGENCY: Department of Administration, Facilities Management and Property Services

SUBJECT: Department of Insurance Lease at 1201 Main Street, Columbia

The South Carolina Department of Insurance (DOI) requests approval to lease 28,165 square feet of office space at 1201 Main Street, Columbia, SC from Hamilton Capitol Center, LLC. DOI's current lease at this location expires on February 28, 2021.

After contacting state agencies to verify no adequate state space was available, the Department of Administration solicited for commercial space. Eight proposals were received, two of which were determined non-responsive due to insufficient square footage offered, and one of which was no longer available when contacted for a site visit. Of the 5 remaining proposals, the selected location represents the second lowest bid. The agency selected this location as moving would be disruptive for staff and customers and this location is less than 2% greater than the lowest bid over the term of the lease when considering associated lease costs including moving costs, security and IT needs, generator service, parking, and staff downtime.

The lease term will be seven (7) years and is expected to commence on March 1, 2021. The rental rate for the first year of the term will be $501,618.65 which is $17.81 per square foot and includes operating expenses. Rent will increase annually at a rate of 2% as more specifically set forth in the chart below. The total rent to be paid over the 7-year term will be $3,729,327.65.

TERM	RENT/sq. ft.	MONTHLY RENT (ROUNDED)	ANNUAL RENT
YEAR 1	$17.81	$41,801.55	$501,618.65
YEAR 2	$18.17	$42,646.50	$511,758.05
YEAR 3	$18.53	$43,491.45	$521,897.45
YEAR 4	$18.90	$44,359.88	$532,318.50
YEAR 5	$19.28	$45,251.77	$543,021.20
YEAR 6	$19.66	$46,143.66	$553,723.90
YEAR 7	$20.06	$47,082.49	$564,989.90

As part of the rent, the Landlord will supplement the cost of up to 100 parking spaces in the attached City of Columbia garage. Employees will pay $15/month per space directly to the City of Columbia.

AGENCY: Department of Administration, Facilities Management and Property Services

SUBJECT: Department of Insurance Lease at 1201 Main Street, Columbia

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

Tenant	Location	Rate /SF
Lottery Commission	1333 Main Street	$18.05
Commission on Higher Education	1122 Lady Street	$17.50
SC Retirement Trust Fund	1201 Main Street	$18.54
Vacant	500 Taylor Street	$19.75
Vacant	1931 Assembly Street	$19.50
Vacant	325 Taylor Street	$18.00

DOI has adequate funds for the lease according to a Budget Approval Form submitted October 30, 2020, which also includes a multi-year plan. Lease payments will be funded through state appropriations and earned and restricted funds. The lease meets the state standards with a density of approximately 181 usable square feet per employee. No option to purchase the property is included in the lease. The lease was approved by JBRC at its December 10, 2020 meeting.

AUTHORITY ACTION REQUESTED:

As recommended by the Department of Administration, Facilities Management Property Services, approve the Department of Insurance's request to lease 28,165 square foot of office space at 1201 Main Street, Columbia, S. C.

ATTACHMENTS:

Agenda item worksheet; Letter from the South Carolina Department of Insurance dated 11/4/2020; SC Code of Laws Sections 1-11-55 and 1-11-56

STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

Meeting Scheduled for: December 17, 2020 **Regular Agenda**

1. Submitted by:

(a) Agency: Department of Administration
(b) Authorized Official Signature: Ashlie Lancaster, Director

2. Subject: Department of Insurance lease at 1201 Main Street, Columbia, SC

3. Summary and Background Information:

The South Carolina Department of Insurance (DOI) requests approval to lease 28,165 square feet of office space at 1201 Main Street, Columbia, SC from Hamilton Capitol Center, LLC. DOI's current lease at this location expires on February 28, 2021.

After contacting state agencies to verify no adequate state space was available, the Department of Administration solicited for commercial space. Eight proposals were received, two of which were determined non-responsive due to insufficient square footage offered, and one of which was no longer available when contacted for a site visit. Of the 5 remaining proposals, the selected location represents the second lowest bid. The agency selected this location as moving would be disruptive for staff and customers and this location is less than 2% greater than the lowest bid over the term of the lease when considering associated lease costs including moving costs, security and IT needs, generator service, parking, and staff downtime.

The lease term will be seven (7) years and is expected to commence on March 1, 2021. The rental rate for the first year of the term will be $501,618.65 which is $17.81 per square foot and includes operating expenses. Rent will increase annually at a rate of 2% as more specifically set forth in the chart below. The total rent to be paid over the 7-year term will be $3,729,327.65.

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DOI has adequate funds for the lease according to a Budget Approval Form submitted October 30, 2020, which also includes a multi-year plan. Lease payments will be funded through state appropriations and earned and restricted funds. The lease meets the state standards with a density of approximately 181 usable square feet per employee. No option to purchase the property is included in the lease. The lease was approved by JBRC at its December 10, 2020 meeting.

4. **What is the Authority asked to do?** Approve the proposed seven-year lease.

5. **What is recommendation of the division of Facilities Management and Property Services?** Consider approval of the proposed seven-year lease.

6. **Private Participant Disclosure – Check one:**

   ☐ No private participants will be known at the time the Authority considers this agenda item.

   ☒ A Private Participant Disclosure form has been attached for each private participant.

   As referenced on the Disclosure forms, a private participant is a natural person or non-governmental legal entity which may directly benefit from, and is participating in or directly associated with, the requested approval.

7. **Recommendation of other office (as required)?**

   (a) Authorized Signature: _____

   (b) Office Name: Click or tap here to enter text.

8. **List of Supporting Documents:**

   (a) Letter from the South Carolina Department of Insurance

   (b) SC Code of Laws Sections 1-11-55 and 1-11-56

South Carolina Department of Insurance

Capitol Center
1201 Main Street, Suite 1000
Columbia, South Carolina 29201

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105

HENRY McMASTER
Governor

RAYMOND G. FARMER
Director

November 4, 2020

Ms. Ashlie Lancaster
South Carolina Department of Administration
Real Property Services
1200 Senate Street, 6th floor
Columbia, SC 29201

RE: Lease for 1201 Main Street, Suite 1000 Columbia, SC 29201

Dear Ms. Lancaster:

The South Carolina Department of Insurance (DOI) requests approval from the Joint Bond Review Committee and the State Fiscal Accountability Authority to enter into a seven (7) year lease with Hamilton Capitol Center, LLC for 28,165 rentable square feet of office space at 1201 Main Street, Suite 1000 Columbia, SC 29201. DOI's current lease, at same address expires on February 28, 2021.

After contacting state agencies to verify that there was no adequate state space available, the Department of Administration solicited for commercial space and eight (8) proposals were received. Two of the proposals were determined non-responsive due to insufficient square footage offered, and one of which was no longer available when contacted for a site visit. Of the 5 remaining proposals, the selected location represents the second lowest bid. After careful consideration, our current address appears to be the "best" choice. The lowest bid after considering all anticipated moving costs was only 1.2% ($48,394) less over seven (7) years than our current location's bid, which does not consider an upfit allowance of $100,000 provided for some replacement of carpeting and fresh paint in certain areas. The cumulative cost of the lease during the term is $3,729,327.65.

I want to personally thank you and your team for all the assistance provided to us.

Thank you for your consideration of this request and please let me know if you need any additional information.

Sincerely,

Ray Farmer

Raymond G. Farmer
Director