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**JOINT BOND REVIEW COMMITTEE MEETING**

DATE: Wednesday, April 26, 2017  
TIME: 9:00 a.m.  
LOCATION: Room 105, Gressette Building

**AGENDA**

**PAGE**

1. Clemson University Proposed Lease, 934 Old Clemson Highway, Seneca.....	1
2. Medical University of South Carolina Proposed Lease, 22 West Edge, Charleston.....	8
3. Medical University of South Carolina Proposed Lease, 165 Cannon Street, Charleston.....	16
4. Clemson University, School of Business Construction.....	23
5. Additional Permanent Improvement Project Requests .....	42
6. Meeting Schedule .....	61

**JOINT BOND REVIEW COMMITTEE**Meeting of April 26, 2017**Item Number 1**

**AGENCY:** Department of Administration, Facilities Management and Property Services

**PROJECT/SUBJECT:** Clemson University Proposed Lease, 934 Old Clemson Highway, Seneca

Clemson University is requesting approval to continue leasing 17,588 square feet of office space located at 934 Old Clemson Highway in Seneca from Eagle Landing Properties I, LLC. The agency has leased the space since 1999 for its Computing and Information Technology Medicaid Services staff, which provides applications programming support for university systems, support for the contract with the SC Department of Health and Human Services (DHHS) to process Medicaid claims, and for DHHS' Medicaid Information Technology Architecture project.

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

The term will be three years beginning on May 2, 2017. The rate will be \$15.75 per square foot for the entire term, for a total of \$829,616. All operating costs except janitorial services are included in the rate. (The rate is an increase of \$0.50 per square foot over the existing lease.) Ample parking is available adjacent to the building at no additional cost.

The Department of Administration's Real Property Services reports comparable lease rates of similar office space in the area range from \$16.50 to \$25.00 per square foot.

Lease payments will be funded from proceeds of the contract with DHHS. Clemson has reported that there will be no student fee increase associated with the proposed lease. According to the Budget Approval Form submitted, there are adequate funds for the lease.

The lease was approved by the Clemson Board of Trustees on July 15, 2016, and by the Commission on Higher Education on March 16, 2017.

**COMMITTEE ACTION:**

Review and make recommendation regarding the proposed lease agreement for Clemson University.

**ATTACHMENTS:**

- 1) Department of Administration, Real Property Services Lease Summary dated April 26, 2017
- 2) Letter from Brett A. Dalton, Vice President, Finance & Operations, Clemson University, dated March 1, 2017
- 3) Sections 1-11-55 and 1-11-56 of the South Carolina Code of Laws

## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: April 26, 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:** Clemson University Lease at 934 Old Clemson Highway in Seneca

**3. Summary Background Information:**

Clemson University requests approval to continue leasing 17,588 square feet of office space located at 934 Old Clemson Highway in Seneca from Eagle Landing Properties I, LLC. The agency has leased this space since 1999 and it will continue to be used to accommodate Clemson Computing and Information Technology (CCIT) Medicaid IT Services Staff, which provides applications programming support for university systems, support for the contract with the SC Department of Health and Human Services (DHHS) to process Medicaid claims, and for the DHHS Medicaid Information Technology Architecture (MITA) project. The value of these contracts to Clemson University is approximately \$25M annually.

A solicitation was conducted, and the selected location was the only response received. The term of the lease will be three (3) years beginning on May 2, 2017 due to the nature of the underlying contractual work supporting this request. The rate will be \$15.75/SF for a total of \$829,615.50 over the term as shown in the table below. This rate represents a \$0.50/SF increase over the previous term.

Period	Annual Rent	Rent PSF
5/2/2017-5/1/2018	\$276,538.50	\$15.75
5/2/2018-5/1/2019	\$276,538.50	\$15.75
5/2/2019-5/1/2020	\$276,538.50	\$15.75
Total		\$829,615.50

The rate includes all operating costs with the exception of janitorial services, which are estimated at \$18,588 annually.

The following chart represents comparable lease rates of similar space near the Clemson University Campus:

Tenant	Location	Rate/SF
Clemson University	511 Westinghouse Road, Pendleton	\$16.50
Clemson University	135 Old Greenville Highway, Clemson	\$21.60
Vacant	111 Earle Street, Clemson	\$25.00

Lease payments will be funded through the DHHS contract. Clemson University has indicated that no student fee increase will be associated with this lease, and there are adequate funds for the lease according to the Budget Approval Form submitted. The lease was approved by the Clemson University Board of Trustees on July 15, 2016 and by the Commission on Higher Education on March 16, 2017.

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**4. What is JBRC asked to do?** Approve the proposed lease for Clemson University at 934 Old Clemson Highway in Seneca.

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**5. What is recommendation of the Department of Administration?** Approve the propose lease for Clemson University at 934 Old Clemson Highway in Seneca.

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**6. List of Supporting Documents:**

- SC Code of Laws Section 1-11-55 and 1-11-56
- Clemson University Letter Dated March 1, 2017





March 1, 2017

Ms. Ashlie Lancaster  
Assistant Director  
Division of General Services  
Department of Administration  
1200 Senate Street, Suite 408  
Columbia, SC 29201

SUBJECT: Clemson University Lease for Space in Seneca, SC  
934 and 936A Old Clemson Highway

Finance and Operations

Clemson University  
G06 Sikes Hall  
Box 345302  
Clemson, SC  
29634-5302

P 864-656-2421  
F 864-656-2008

Dear Ms. Lancaster:

Clemson University requests approval by the Joint Bond Review Committee and the State Fiscal Accountability Authority (SFAA) at their meetings on April 26 and May 2, 2017, respectively, for the attached lease renewal between Eagles Landing Properties I, LLC and Clemson University for space located at 934 and 936A Old Clemson Highway in Seneca, South Carolina. The enclosed lease was approved by the Clemson University Board of Trustees on July 15, 2016.

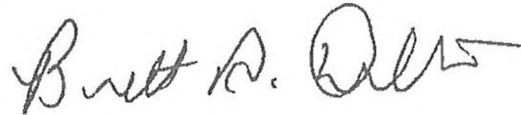
Clemson University requests approval to renew the current lease of office space consisting of 17,558 square feet at 934 and 936A Old Clemson Highway Eagles Landing Professional Park for a three-year term beginning on May 2, 2017. The University is seeking a three-year lease due to the nature of the underlying contractual work supporting this request.

Necessity has required that Clemson Computing and Information Technology (CCIT) lease office space off-campus to accommodate much of its Medicaid IT Services staff. This group provides applications programming support for university systems and support for the contract with the SC Department of Health and Humans Services (DHHS) for the DHHS Medicaid Information Technology (MIT) project.

A solicitation was conducted and the Eagles Landing Properties response was the only one received. Additionally, the data network required by the programmers is beyond standard needs due to the large volume of data to be processed for DHHS and moving to another facility would likely require AT&T or other service providers to lay additional cables to increase bandwidth to the building. This addition could cause a delay in the building being serviceable to the programmers, and not having the higher bandwidth would cause processing delays and increased costs to DHHS as it pertains to this project.

Once approved, please send two of the originals back to my office for distribution. If you should have any questions or need any further documentation, please do not hesitate to contact me or Laura Stoner at (864) 283-7107.

Thank you,

A handwritten signature in black ink, appearing to read "Brett A. Dalton", with a stylized flourish at the end.

Brett A. Dalton  
Vice President, Finance & Operations

Enclosure

Cc: Carol Routh  
Laura Stoner

**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.

**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.



**JOINT BOND REVIEW COMMITTEE****Item Number 2**Meeting of April 26, 2017

**AGENCY:** Department of Administration, Facilities Management and Property Services

**PROJECT/SUBJECT:** Medical University of South Carolina Proposed Lease, 22 WestEdge, Charleston

The Medical University of South Carolina is requesting approval to lease 25,000 square feet of space located at 22 WestEdge in Charleston from HPIB Devco, LLC, to provide space for MUSC's Bioinformatics Program, which is a research-based function that develops methods and software tools for understanding biological data. (MUSC's Bioinformatics is currently located at 135 Cannon Street and is being relocated to allow that space to be used for clinical purposes to meet new Medicaid/Medicare requirements.)

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

The term for the proposed lease will be ten years beginning upon completion of construction. Rent for the first year will be \$36 per square foot, which includes all operating and maintenance costs. Thereafter, the rent will increase annually by 2.5%, for a total payout of \$10,083,044 over the ten-year term. The lease also provides an option for MUSC to lease up to 50 parking spaces at a rate of \$175 per space per month. If MUSC exercises the option to lease the parking spaces, the maximum payout over the ten-year term will be \$11,133,044. (The lease contains three optional five-year extensions; however, MUSC is not requesting approval of the extensions at this time.)

The landlord is providing a tenant improvement allowance of \$1,000,000.

The Department of Administration's Real Property Services reports comparable lease rates of similar space in the Charleston area range from \$34 to \$39 per square foot.

Lease payments will be funded from grant, contract, and clinical revenues. MUSC has reported that there will be no student fee increase associated with the proposed lease. According to the Budget Approval Form submitted, there are adequate funds for the lease.

The lease was approved by the MUSC Board of Trustees on February 10, 2017, and by the Commission on Higher Education on April 6, 2017.

**COMMITTEE ACTION:**

Review and make recommendation regarding the proposed lease agreement for Medical University of South Carolina.

**ATTACHMENTS:**

- 1) Department of Administration, Real Property Services Lease Summary dated April 26, 2017
- 2) Letter from Rachel Jones, MUSC Leasing Manager, April 4, 2017
- 3) Sections 1-11-55 and 1-11-56 of the South Carolina Code of Laws

## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: April 26, 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- 22 WestEdge in Charleston

**3. Summary Background Information:**

The Medical University of South Carolina (MUSC) is requesting approval to lease 25,000 square feet (SF) located at 22 WestEdge in Charleston from the HPIB Devco, LLC to provide space for MUSC Bioinformatics. MUSC Bioinformatics is currently located at 135 Cannon Street. Because 135 Cannon Street meets new Medicaid/Medicare insurance requirements that limit MUSC's ability to expand clinical space, it will be used for clinical purposes.

To combat community deterioration in and around the WestEdge Project Area, the MUSC campus and the Medical District, the Medical University of South Carolina Foundation, its affiliated nonprofit foundations and supported organizations, including MUSC, and the City of Charleston have partnered to create economic development opportunities and improve quality of life in its neighborhoods through the WestEdge Project.

While MUSC requested an exemption from the solicitation process, Real Property Services conducted a solicitation and the proposal from HPIB Devco, LLC was the only bid received. The lease will support the WestEdge partnership between the City of Charleston and MUSC for the development of the Hospital Medical District, as the Medical University Hospital Authority will sublease approximately half of this space from MUSC for its Hospital Analytics Office.

The Term of the lease shall be ten (10) years beginning following the completion of construction by the Landlord. The lease contains three (3) optional five (5) year Extended Terms; however, MUSC is not requesting approval for the Extended Terms at this time. Rent for the first year of the Term shall be \$36.00/SF, which includes all operating and maintenance costs. Thereafter, basic rent shall increase annually by two and one-half (2 ½) percent. As such, the maximum amount MUSC could pay over the Term is as follows:

<u>INITIAL TERM</u>	<u>ANNUAL RENT</u>	<u>MONTHLY RENT</u>	<u>RENT PER SF</u>
LEASE YEAR 1	\$ 900,000.00	\$75,000.00	\$36.00
LEASE YEAR 2	\$ 922,500.00	\$76,875.00	\$36.90
LEASE YEAR 3	\$ 945,562.50	\$78,796.88	\$37.82
LEASE YEAR 4	\$ 969,201.56	\$80,766.80	\$38.77
LEASE YEAR 5	\$ 993,431.60	\$82,785.97	\$39.74
LEASE YEAR 6	\$1,018,267.39	\$84,855.62	\$40.73

LEASE YEAR 7	\$1,043,724.08	\$86,977.01	\$41.75
LEASE YEAR 8	\$1,069,817.18	\$89,151.43	\$42.79
LEASE YEAR 9	\$1,096,562.61	\$91,380.22	\$43.86
LEASE YEAR 10	\$1,123,976.67	\$93,664.72	\$44.96
TOTAL	\$10,083,043.59		

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 Landlord is providing a tenant improvement allowance of \$1M. The lease also contains an option for MUSC to lease up to fifty (50) parking spaces at a rate of \$175/month. Should MUSC exercise this option, the additional cost would be \$1,050,000 over the Term.

The lease was approved by the MUSC Board of Trustees on February 10, 2017 and the Commission on Higher Education on April 6, 2017.

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4. **What is JBRC asked to do?** Approve the proposed lease for the Medical University of South Carolina at 22 WestEdge in Charleston.

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5. **What is recommendation of the Department of Administration?** Approve the propose lease for the Medical University of South Carolina at 22 WestEdge in Charleston.

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6. **List of Supporting Documents:**

- SC Code of Laws Section 1-11-55 and 1-11-56
- MUSC Letter Dated April 4, 2017





Office of Institutional Resources &  
Research  
28 Ehrhardt Street, MSC 205  
Charleston, SC 29425  
843-792-5996

April 4, 2017

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

RE: Request for Leased Space / 22 WestEdge

Dear Ms. Lancaster:

The Medical University of South Carolina (MUSC) requests to lease approximately 25,000 square feet of space at 22 WestEdge, Charleston, SC from the Horizon Project Foundation (HPF) for MUSC Bioinformatics.

MUSC Bioinformatics is a combined effort with the Medical University Hospital Authority Analytics Office and will co-locate at 22 WestEdge. MUSC Bioinformatics is currently located at 135 Cannon Street and MUHA Analytics located at Harborview Office Tower. Due to the new Medicaid/Medicare insurance requirements 135 Cannon Street will need to be used for clinical purposes. The lease payment for 22 WestEdge will be divided between MUSC and MUHA through a sublease agreement.

Current Lease Information:

135 Cannon Street

MUSC leases the entire building from the MUSC Foundation and subleases a portion to the Medical University Hospital Authority (MUHA). This lease will not be terminated. The sublease between MUSC and MUHA will be amended to include the additional 1<sup>st</sup> floor space.

Landlord: MUSC Foundation

Tenant: MUSC

Occupant: MUSC Bioinformatics

Lease Term: 4/1/2009-3/31/2039

Cost per RSF: \$24.15

Square Footage: 14,053 ASF [1<sup>st</sup> floor only space]

Annual Rent: \$339,355.10 [1<sup>st</sup> floor only]

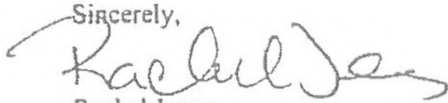
Lease Type: NNN

Requested Lease Term:

Landlord:	HPIB DEVCO, LLC
Tenant:	Medical University of South Carolina
Occupant:	MUSC Bioinformatics Department
Lease Term:	10 Years
Square Footage:	25,000
Annual Rent:	\$900,000.00
Cost per SF:	\$36.00
Annual Increase:	2.5%
Lease Type:	Full Service
IT Allowance:	\$1,000,000.00 (\$40.00 RSF)

Please let me know if you have any questions

Sincerely,



Rachel Jones  
Medical University of South Carolina  
Leasing Manager

attachment:  
Budget Approval Form

**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.

**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.



## JOINT BOND REVIEW COMMITTEE

Item Number 3

Meeting of April 26, 2017

**AGENCY:** Department of Administration, Facilities Management and Property Services

**PROJECT/SUBJECT:** Medical University of South Carolina Proposed Lease, 165 Cannon Street, Charleston

The Medical University of South Carolina is requesting approval to lease a 438,000 square foot facility to be located at 165 Cannon Street in Charleston from 165 Cannon Street Associates, LLC. The facility will consist of 10,672 square feet of office space and 1,400 parking spaces.

(At its meeting on January 26, 2016, the State Fiscal Accountability Authority approved a request from MUSC to sell the property at 165 Cannon Street, also known as the "M" Lot, to the MUSC Foundation for the Foundation to construct a parking garage and lease parking spaces to MUSC's Parking Management Services to support additional traffic at the MUSC Hospital Authority's Shawn Jenkins Children's Hospital, as well as future growth of MUSC's clinical enterprise. The associated office space will accommodate MUSC Public Safety staff. The Foundation subsequently formed 165 Cannon Street Associates, LLC, a single-purpose entity whose sole member is the Foundation, to secure financing to construct the Facility.)

The term for the proposed lease is 20 years beginning upon completion of construction. Rent will be fixed at \$2,649,440 per year (or \$220,787 per month), which is equivalent to the debt service and reserve incurred by the landlord. The rate equates to \$20 per square foot for the office space and \$145 per parking space. The total payout over the 20-year term will be \$52,988,800.

The lease contains an option for MUSC to purchase the property at any time during the term for a price equal to the outstanding indebtedness. The lease also provides for rent to cease when all debt on the property is paid in full. (The lease contains three optional five-year extensions; however, MUSC is not requesting approval of the extensions at this time.)

MUSC will be responsible for operating and maintenance costs, which are estimated to be \$200,000 annually.

The Department of Administration's Real Property Services reports comparable lease rates in the Charleston area range from \$34 to \$39 per square foot for office space and \$150 to \$225 per parking space.

Lease payments will be funded from parking management and public safety revenues. MUSC has reported that there will be no student fee increase associated with the proposed lease. According to the Budget Approval Form submitted, there are adequate funds for the lease.

The lease was approved by the MUSC Board of Trustees on February 10, 2017, and by the Commission on Higher Education on April 6, 2017.

**COMMITTEE ACTION:**

Review and make recommendation regarding the proposed lease agreement for Medical University of South Carolina.

**ATTACHMENTS:**

- 1) Department of Administration, Real Property Services Lease Summary dated April 26, 2017
- 2) Letter Rachel Jones, MUSC Leasing Manager, dated February 8, 2017
- 3) Sections 1-11-55 and 1-11-56 of the South Carolina Code of Laws



## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: April 26, 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: MUSC Lease- 165 Cannon Street in Charleston**

**3. Summary Background Information:**

The Medical University of South Carolina ("MUSC") requests approval to lease from 165 Cannon Street Associates, LLC a 438,000 square foot parking garage consisting of 1,400 parking spaces and 10,672 square feet of office space to be built at 165 Cannon Street in Charleston.

At its meeting on January 26, 2016, the State Fiscal Accountability Authority approved a request from MUSC to sell the property at 165 Cannon Street, also known as the "M" Lot, to the MUSC Foundation (the "Foundation") for the Foundation to construct a parking garage (the "Facility") and lease parking spaces to the University's Parking Management Services to support additional traffic at the Medical University Hospital Authority's Shawn Jenkins Children's Hospital, as well as future growth of MUSC's clinical enterprise. The associated office space will accommodate MUSC Public Safety staff. The Foundation subsequently formed 165 Cannon Street Associates, LLC (Landlord), a single purpose entity whose sole member is the Foundation, to secure financing to construct the Facility.

The term of the lease will be twenty (20) years beginning upon completion of the Facility and issuance of a certificate of occupancy. MUSC will pay monthly installments of \$220,786.67 for an annual amount of \$2,649,440.00 for the space, which is equivalent to the debt service and debt service reserve to be incurred by the Landlord. This equates to \$145/month per parking space and \$20/SF for the office space. Rent shall be fixed for the term of the lease; however, rent payments will cease if all debt on the property is paid in full. The estimated total rent to be paid over the term is \$52,988,800. In addition to rent, MUSC is responsible for all operating and maintenance costs. Operating costs are estimated to be \$200,000 annually.

The lease contains provisions for three (3) five (5) year extended terms, subject to any required governmental approvals at the time such terms are exercised.

The following charts represent comparable lease rates of similar space near the MUSC Campus:

**Parking:**

Location	Rate/Space
194 East Bay Street	\$225.00
159 Rutledge Avenue	\$165.00
55 Pitt Street	\$165.00

62 Gadsden Street	\$150.00
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Office:

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

The lease contains an option for MUSC to purchase the property from Landlord at any time during the term of the lease for a price equal to the outstanding indebtedness owed on the property at the time MUSC exercises such option to purchase.

Lease payments will be funded from parking management and public safety revenues. MUSC has indicated that no student fee increase will be associated with this lease, and there are adequate funds for the lease according to a Budget Approval Form submitted by MUSC.

The lease was approved by the MUSC Board of Trustees on February 10, 2017 and by the Commission on Higher Education on April 6, 2017.

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**4. What is JBRC asked to do?** Approve the proposed lease for the Medical University of South Carolina at 165 Cannon Street in Charleston.

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**5. What is recommendation of the Department of Administration?** Approve the proposed lease for the Medical University of South Carolina at 165 Cannon Street in Charleston.

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**6. List of Supporting Documents:**

- SC Code of Laws Section 1-11-55 and 1-11-56
- MUSC Letter Dated February 8, 2017





Office of Institutional Resources &  
Research  
28 Ehrhardt Street, MSC 205  
Charleston, SC 29425  
843-792-5996

February 8, 2017

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

RE: Request for Leased Space / 165 Cannon Street Garage

Dear Ms. Lancaster:

The Medical University of South Carolina (MUSC) requests to lease 1,400 parking spaces within the 165 Cannon Street Parking Garage from 165 Cannon Street, LLC. This lease is critical to several community initiatives taking place at the Medical University of South Carolina. This lease agreement will provide support for MUSC employee and guest parking associated with the new Shawn Jenkins Children's Hospital. This property shall also provide 10,672 square feet of office space for Public Safety needed to accommodate their move to facilitate the Greenway Project and 'activate' the street. In addition, it is expected that 700 parking spaces currently leased by CareAlliance Health at 21 Courtenay Drive shall transfer to this parking garage.

Please prepare this lease for the May 2017 SFAA meeting.

Number of spaces:	1,400 parking spaces
Cost per space:	\$145.00
Cost per SF/Public Safety:	\$20.00
Annual Rent:	\$2,649,440.00
Annual rent increase:	None
Estimated Start Date:	October 2018
Lease Term:	20 Years
Extended Term:	3 Terms, 5 Years Each
Total Including Extensions:	\$92,730,400.00

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Rachel Jones".

Rachel Jones  
Medical University of South Carolina  
Leasing Manager

**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.

**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.

**JOINT BOND REVIEW COMMITTEE**Meeting of April 26, 2017**Item Number 4****AGENCY:** Department of Administration, Executive Budget Office**PROJECT/SUBJECT:** Clemson University, College of Business Construction

Clemson University is requesting approval for full design and construction of a new building to house the College of Business. The project was legislatively authorized with a \$5 million appropriation in Act 93 of 2015 (Capital Reserve Fund appropriation bill). The remainder of the funding for the project will be State Institution Bonds.

Permanent Improvement Project

The proposed 162,000 sq. ft. facility will allow relocation of the School of Business from Sirrine Hall, which was built in 1938 and is no longer adequate for modern instructional methods. The new facility will include a variety of classrooms and learning laboratories, faculty and administrative offices, study and gathering spaces, student services spaces, and common areas that encourage collaboration among students, faculty, staff, and business partners.

The current enrollment of the College of Business is 4,319 students with 242 faculty and staff.

The new facility will be constructed to meet LEED Silver Certification standards with projected operating savings of \$3,438,395 over a 30-year period. Maintenance and operating costs are estimated to be \$1,053,000 to \$1,095,541 per year and will be paid from existing operating funds.

This request will add \$82,500,000 to the project, bringing the total cost to \$87,500,000. The source of funds for the project is \$5,000,000 in a CRF appropriation and \$82,500,000 from State Institution Bonds. (Clemson has requested a \$25 million appropriation from the General Assembly; if the request is funded, the amount of the State Institution Bonds will be reduced by a like amount.)

Clemson projects July 2017 for execution of the construction contract with completion of construction expected in August 2019.

State Institution Bonds

Clemson is requesting issuance of not exceeding \$84,000,000 in General Obligation State Institution Bonds to cover the construction of the permanent improvement project, reimburse the University for expenses incurred in anticipation of the Bond issuance, and pay expenses associated with issuance of the Bonds.

The South Carolina Constitution authorizes the issuance of general obligation bonds for state higher education institutions provided the bonds are secured by a pledge of revenues derived from the tuition fees of the institution. The maximum annual debt service may not exceed 90%



of the tuition fees received for the fiscal year. Title 59, Chapter 107, of the South Carolina Code of Laws requires the State Treasurer to set aside the tuition fees to pay the debt service.

The term of the proposed bond issuance is 20 years. Clemson's tuition fees totaled \$33,682,064 for the fiscal year which ended June 30, 2016. Exhibit A reflects the debt service requirements for all of Clemson's existing and proposed State Institution Bonds; the maximum composite debt service is \$20,851,784. Holding FY 2015-16 revenues constant, the debt service is projected to range from 17% to 62% of pledged revenues (Exhibit B).

While the project is not expected to result in any quantifiable additional revenue, it will allow Clemson to continue accommodating enrollment growth in the College of Business (which has increased 20 percent in the past five years).

No student tuition or fee increase will be required for the project.

Clemson reports that the current tuition levels are more than sufficient to pay the debt service. In order for current tuition levels to be insufficient, enrollment would have to decrease by more than 35 percent. Clemson's enrollment has increased every year since 2002 and has grown almost 50 percent in the past ten years.

Pursuant to Article X, Section 13, of the South Carolina Constitution and Section 59-107-100 of the South Carolina Code of Laws, the full faith, credit, and taxing power of the State will be pledged to pay the principal and interest on the bonds.

Information regarding Clemson's issuance of General Obligation State Institution Bonds is provided in accordance with JBRC policy adopted October 7, 2014, and amended on September 13, 2016.

#### **COMMITTEE ACTION:**

Review and make recommendation regarding Clemson University's request for Phase II, Full Design and Construction of a new building to house the School of Business funded in part with the issuance of not exceeding \$84,000,000 in General Obligation State Institution Bonds.

#### **ATTACHMENTS:**

- 1) Department of Administration Agenda Item Worksheet dated April 26, 2017
- 2) A-1, A-49, Questionnaire, and LEED Cost-Benefit Analysis
- 3) Letter from Pope Flynn Law Firm, dated March 21, 2017 (including Bond Information Report and Exhibits A and B)

#### **AVAILABLE UPON REQUEST:**

- 1) Article X, Section 13, of the South Carolina Constitution
- 2) Title 59, Chapter 107, of the South Carolina Code of Laws



## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

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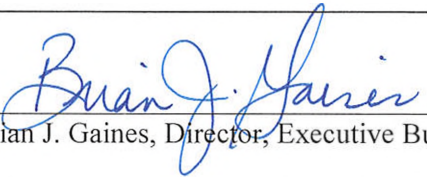
Meeting Scheduled for: April 26, 2017

Regular Agenda

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**1. Submitted By:**

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

  
Brian J. Gaines, Director, Executive Budget Office

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**2. Subject:** Business and Behavioral Sciences Building / Sirrine Hall Replacement

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**3. Summary Background Information:**

To establish the construction budget to construct an approximately 162,000 square foot building to relocate the College of Business (previously called the College of Business and Behavioral Sciences), from Sirrine Hall, which was built in 1938. This project was included in their FY16 CIP with the priority 1 of 6. This project was established in January 2016 for Phase I, which is now complete. The facility will be constructed to meet LEED Silver Certification standards and \$3,438,395 in anticipated operating cost savings over a 30 year life are expected. The facility will include a variety of classrooms and learning laboratories, faculty and administrative offices, study and gathering spaces, student services spaces and common areas that will encourage greater collaboration among students, faculty, staff and business partners. The new facility will provide enhanced interface between academics and industry, accommodate growth, and provide flexibility to adapt to advancements in technology and instructional methods. The antiquated Sirrine Hall facility no longer provides adequate space for planned growth of modern instructional delivery methods. The College of Business is currently co-located with other academic programs in Sirrine Hall. The new facility will become the dedicated, recognizable home for all business and related disciplines within the College of Business and will provide space for the college's administrative offices, outreach and research institutes. Construction of the new facility will also allow Sirrine Hall to be utilized as swing space to allow for major renovations. A floor-by-floor, phased renovation of Sirrine Hall was considered as an alternative to this project. However, a phased renovation would take many years to complete, would create disruptions to academic activity, and would increase construction costs. Clemson University has requested \$25 million for this project from the General Assembly for 2017-18. If the request is funded, the \$82.5 million in institution bonds in the project budget will be reduced by the amount of the appropriation. The agency estimates that the completed project will cost approximately \$87,500,000 with additional annual operating costs of \$1,053,000 in year 1, \$1,074,060 in year 2, and \$1,095,541 in year 3. The agency also reports the projects date for execution of the construction contract is July 2017 and for completion of construction is August 2019.

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**4. What is JBRC asked to do?**

Consider approval of the Permanent Improvement Project Phase II and bond authorization.

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**5. What is the recommendation of the Executive Budget Office?**

The EBO has determined that the item is complete and ready for JBRC review.

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**6. List of Supporting Documents:**

- a) Permanent Improvement Project Phase II Project approval
- b) Bond Authorization