

MINUTES OF THE JOINT CAPITAL OUTLAY SUBCOMMITTEE
Meeting No. 6, Tuesday, September 22, 2009, 9:00 a.m.
Senate Hearing Room, Ground Floor, Boji , 124 W. Allegan, Lansing, Michigan 48933

The Joint Capital Outlay Subcommittee was called to order by the Chair, Senator Michelle A. McManus at 9:00 a.m.

Members present: Senators McManus, Jelinek, Brown, Cropsey, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher, and Haines

Members absent/excused: Senator Hardiman, Representatives Bennett, Dean

Chair McManus stated that item 3(e) on the agenda was being postponed until she receives additional information.

Chair McManus placed agenda Item Number 1 before the Subcommittee.

1. MINUTES OF JOINT CAPITAL OUTLAY SUBCOMMITTEE MEETING NO. 5

Representative Lahti moved, supported by Senator Jelinek, that the minutes be approved.

With no objection, the minutes of the September 10, 2009 JCOS meeting were approved by a voice vote.

Chair McManus placed agenda Item Number 2 before the Subcommittee.

2. COST INCREASE – BAY CITY STATE POLICE POST

DMB Letter Date: 6/10/09

The Department of Management and Budget requests legislative support to revise the cost of the Bay City State Police Post Project by \$311,000 (10.8%), from \$2,889,000 to \$3,200,000. The project was authorized for construction in Public Act 278 of 2008. At the time the project was authorized, minimal project site costs were identified. The cost increase is related to site development expenses including excavation, utility connections, drainage, asphalt paving, and perimeter fencing. This item was discussed at the September 10, 2009 JCOS meeting and postponed to this meeting. An overview was provided by the Senate Fiscal Agency. The following individuals testified regarding the project:

Senator Jim Barcia
Lt. John Card, Bay City State Police Post
Bob Page, Williams Township Supervisor
Terri Fitzpatrick, DMB Real Estate

Representative Durhal moved approval, supported by Representative Lahti.

The motion prevailed by a vote of 16-0-4.

Yeas: Senators McManus, Jelinek, Brown, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher and Haines

Nays: 0

NV/Excused: Senators Cropsey and Hardiman
Representatives Bennett and Dean

Chair McManus placed agenda Item Number 3 before the Subcommittee. Representatives from the Department of Management and Budget and The Department of Human Services testified regarding Items 3a through 3d. They included:

Terri L. Fitzpatrick, Director, Real Estate Division, DMB
 Bob Burns, Legislative Liaison, DMB
 Dan Werk, Director, Administrative Services Division, DHS

3. LEASES FOR PRIVATE PROPERTY

DMB Letter Date: 9/1/09

Pursuant to Section 221 (3) of PA 431 of 1984, the Department is requesting subcommittee approval of leases for private property:

Chair McManus placed agenda Item Number 3a before the Subcommittee.

ITEM # 3a	
DMB Letter Date:	September 1, 2009 (Revised 9/16/09)
Lease Number:	6922
Department:	Human Services (DHS)
Location:	8655 Greenfield Road, Detroit
Lessor:	Apollo Holdings, LLC
Square Footage/Use:	25,233 sq.ft./ District Office
Lease Costs:	
Annual	\$419,021 (effective rate)
Monthly	\$34,918
Per Sq. Ft. (p/sf)	\$16.61
Increases	None
	Lease rate is \$19 for 6 years and \$13 for 4 years.
Renovation Costs:	None to State, included in rent
Utilities:	\$72,000
Management Fee:	None
Taxes:	None
Operating Costs:	\$51,275
Lease Terms:	Ten (10) years
Option to Purchase:	None
Existing Space:	The space has been occupied by DHS for 21 years. There have been no significant building renovations during that time. The current number of staff exceeds building capacity. Space deficiencies include an overcrowded lobby and office space that is inadequate to meet current and future DHS service models. Rental is \$11.00 s.f. plus utilities, trash removal, telecom, security, taxes and insurance which adds \$5.37/s.f. for a total of \$16.37/s.f. The space is located in a downtown business district.
Bid Process:	N/A – DHS is staying in current location with renovations being completed by Lessor to provide necessary upgrades and space efficiencies for modernized service delivery model. The Lessor is amortizing renovation costs over the first six years of the lease. The new rate is \$19.01 p/s.f. for six years and then decreases to \$13.00 p/s.f. for the last four years, for an overall rate of \$16.61 p/s.f. Both rates are below market rates (\$20.00-\$22.00 p/s.f nnn) for this market. The renovations are being done in stages to permit continued service delivery. Remaining at the same location avoids costs associated with relocation.
Other Issues:	None

Cost Comparison

	Proposed Lease	Current Lease	Difference
Total Sq. Ft.	25,233	25,233	0
Base Rental Per Sq. Ft.	\$16.61	\$11.00	\$5.61
Annual Lease Cost	\$419,021	\$277,563	\$141,458
Utilities	\$72,000	\$72,000	\$0.00
Taxes/Insurance	\$0	\$12,300	(\$12,300)
Operating Costs	\$51,275	\$51,275	\$0
Total Rent Per Sq. Ft.	\$21.49	\$16.37	\$5.12
Total Annual Cost:	\$542,296	\$413,138	\$129,158

Required Action: Approve/Disapprove Use and Finance Requests

Senator Clark-Coleman moved approval, supported by Senator Pappageorge.

The motion prevailed by a vote of 16-0-4

Yeas: Senators McManus, Jelinek, Brown, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher and Haines

Nays: 0

NV/Excused: Senators Cropsey and Hardiman
Representatives Bennett and Dean

Chair McManus placed agenda Item Number 3b before the Subcommittee.

ITEM # 3b	
DMB Letter Date:	September 1, 2009 (Revised 9/16/09)
Lease Number:	11387
Department:	Human Services (DHS)
Location:	26355 Michigan Avenue, Inkster
Lessor:	Development Group of Inkster, LLC
Square Footage/Use:	32,100-District Office
Lease Costs:	
Annual	\$577,800
Monthly	\$48,150
Per Sq. Ft. (p/sf)	\$18.00
Increases	None
Renovation Costs:	Included in rent
Utilities:	\$68,000
Management Fee:	None
Taxes:	\$16,240
Operating Costs:	\$64,200
Lease Terms:	30 years – with five months free rent
Option to Purchase:	Yes-\$1.00 at end of lease term. NOTE: The option to purchase was not requested by the State, and was not considered in the proposal evaluation process. The selected bid was the lowest cost without regard to the option to purchase at the end of the term.
Existing Space:	The existing space has been occupied by DHS under the current lease for 12 years, and has been there more than 30 years. The number of staff exceeds building capacity. There has been no significant building renovation during that time. Space deficiencies include an over-crowded lobby, office space that is inadequate to meet current and future DHS service models and a parking lot that cannot accommodate customer or staff parking requirements.

Bid Process:	Public solicitation produced six proposals, including responses from the current landlord. DHS selected the low bidder for this relocation. The new rate is \$18.00/s.f. plus \$2.50/s.f. payment in lieu of taxes for an overall rate of \$20.50/s.f. The rate is within market rates (\$20.00-\$22.00/s.f. nnn) for this market. The current location could not accommodate expansion to provide the necessary upgrades and space efficiencies for modernized service delivery models.
Other Issues:	Developer is putting in a public park.

Cost Comparison

	Proposed Lease	Current Lease	Difference
Total Sq. Ft.	32,100	28,229	3,871
Base Rental Per Sq. Ft.	\$18.00	\$16.00	\$2.00
Annual Lease Cost	\$577,800	\$451,664	\$126,136
Utilities	\$68,000	\$68,000	\$0
Taxes/Insurance	\$16,240	\$44,000	(\$27,760)
Operating Costs	\$64,200	\$51,281	\$12,919
Total Rental Per Sq. Ft.	\$22.62	\$21.78	\$0.84
Total Annual Cost:	\$726,240	\$614,945	\$111,295

Required Action: Approve/Disapprove Lease.

Senator Scott moved approval, supported by Senator Cherry.

The motion prevailed by a vote of 17-0-3

Yeas: Senators McManus, Jelinek, Brown, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher and Haines

Nays: 0

NV/Excused: Senator Hardiman
Representatives Bennett and Dean

Chair McManus placed agenda Item Number 3c before the Subcommittee.

Representative Bauer moved approval, supported by Senator Jelinek.

The motion prevailed by a vote of 17-0-3

Yeas: Senators McManus, Jelinek, Brown, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher and Haines

Nays: 0

NV/Excused: Senator Hardiman
Representative Bennett and Dean

Chair McManus placed agenda Item Number 3d before the Subcommittee.

ITEM # 3d	
DMB Letter Date:	September 1, 2009 (Revised 9/16/09)
Lease Number:	6948
Department:	Human Services
Location:	2700 Baker Street, Muskegon Heights
Lessor:	Tridonn Development Company
Square Footage/Use:	48,307

Lease Costs:	
Annual	\$543,453.72
Monthly	\$45,287.81
Per Sq. Ft.	\$11.25
Increases	None
Renovation Costs:	None to State, included in rent
Utilities:	\$150,000 estimated based on 2008 costs of \$144,023
Management Fee:	None
Taxes:	None
Operating Costs:	None
Lease Terms:	10 years
Option to Purchase:	None
Existing Space:	The Department has occupied the current location since Oct 1988.
Bid Process:	None. This is a renewal at an existing location which eliminates furniture and moving expenses. The Lessor is making some building improvements. The proposed rate is below market rate which is estimated at \$12.00 to \$15.00 per square foot.
Other Issues:	None

Cost Comparison

	Proposed Lease	Current Lease	Difference
Total Sq. Ft.	48,307	48,307	0
Base Cost Per Sq. Ft.	\$11.25	\$9.23	\$2.02
Annual Base Lease Cost	\$543,454	\$445,874	\$97,763
Utilities	\$150,000	\$144,023	\$5,977
Taxes	Included	Included	\$0
Operating Costs	Included	\$103,556	(\$103,556)
Total Rent Per Sq. Ft.	\$14.36	\$14.36	\$0
Total Annual Cost:	\$693,454	\$693,452	\$2.00

Required Action: Approve/Disapprove Lease.

Senator Cherry moved approval, supported by Senator Switalski.

The motion prevailed by a vote of 17-0-3

Yeas: Senators McManus, Jelinek, Brown, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher and Haines

Nays: 0

NV/Excused: Senator Hardiman
Representatives Bennett and Dean

Chair McManus placed agenda Item Number 4 before the Subcommittee.

4. USE AND FINANCE STATEMENTS

The Department of Management and Budget is requesting approval of Use and Finance Statements for projects at various institutions. The projects are funded entirely from institution revenues. Subcommittee approval would allow the self-funded projects to commence, but does not commit State funds for construction, maintenance, or operation of the facilities.

	DMB Letter	Project	Cost	Financing	Annual Operating
A	9/11/09	Lansing Community College – Early Learning Children's Community. The center will be located on LCC's Downtown Lansing Campus in the former Photography Center Building. The renovation project includes 11,650 sq. ft. for use as a child care center and lab school for infants through kindergarten. It will also provide clinical experience for LCC students in the child development, nursing, and emergency medical technician programs. Estimated completion date: August 2010.	\$2,244,300	College Reserves	Year 1 \$69,900 + CPI adjustments thereafter

Required Action: Approve/Disapprove Use and Finance Requests

Representative Bauer moved approval, supported by Senator Cropsey.

The motion prevailed by a vote of 17-0-3

Yeas: Senators McManus, Jelinek, Brown, Pappageorge, Switalski, Cherry, Clark-Coleman and Scott
Representatives Lahti, Switalski, Durhal, Bauer, Caul, Proos, Booher and Haines

Nays: 0

NV/Excused: Senator Hardiman
Representatives Bennett and Dean

There being no further business before the Subcommittee, Chair McManus adjourned the meeting, the time being 9:30 a.m.

Senator Michelle A. McManus, Chair _____

Pam Yeomans, Committee Clerk, (517) 373-2768