



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUDGET OFFICE
One Capitol Hill
Providence, R.I. 02908-5886

Memorandum

To: The Honorable Helio Melo
Chairman, House Finance Committee

The Honorable Daniel DaPonte
Chairman, Senate Finance Committee

From: Thomas A. Mullaney *Thomas A. Mullaney*
Executive Director/State Budget Officer

Date: May 9, 2013

Subject: Amendments to FY 2014 Appropriations Act (13-H-5127)

The Governor requests that a new budget article be added to the FY 2014 Appropriations Act entitled "Relating to Lease Agreements for Leased Office and Operating Space". The new article consists of joint resolutions requesting General Assembly approval for the State to enter into six property leases for several departments, including the Department of Corrections, the Department of Human Services, the Department of Labor and Training, the Judiciary, and the University of Rhode Island. The joint resolutions for the Department of Labor and Training, the Judiciary, and the University of Rhode Island request approval for new leases on currently occupied space. The joint resolutions for the Department of Corrections and the Department of Human Services are for property leases at locations to be determined by the request for proposal process.

The costs of the new leases for the Department of Labor and Training, the Judiciary, and the University of Rhode Island are fully funded in the Governor's FY 2014 budget, or are not significantly different from the amounts in the FY 2014 budget. The FY 2014 costs of the new leases for Department of Corrections and the Department of Human Services will not be determined until the new lease properties are identified.

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If you have any questions regarding the requested property leases, please feel free to call me at 222-6300 or John Ryan at 222-4240.

TAM:13-ss-2

Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor
Eugene Gessow, Senate Fiscal Advisor
Kelly Mahoney, Director of Policy
Richard Licht, Director of Administration
Peter Marino, Director, Office of Management and Budget
Gregory Stack, Supervising Budget Analyst

NEW ARTICLE (5/8/2013)

**RELATING TO LEASE AGREEMENTS FOR LEASED OFFICE AND OPERATING
SPACE**

SECTION 1. This article consists of Joint Resolutions that are submitted to the General Assembly for its approval pursuant to § 37-6-2 of the Rhode Island General Laws.

SECTION 2. *Department of Corrections.*

WHEREAS, The Rhode Island Department of Corrections currently has a lease agreement, in full force and effect, with the Urban League of Rhode Island for approximately 2,900 square feet of office space located at 234 Prairie Avenue in Providence, which will expire on June 30, 2013; and

WHEREAS, The annual rent under the current lease agreement in the fiscal year ending June 30, 2013 is \$40,000; and

WHEREAS, At a meeting duly noticed on February 12, 2013, the State Properties Committee approved the Department of Corrections' request to advertise a Request for Proposals in order to secure new office space in Providence; and

WHEREAS, The Rhode Island Department of Corrections requests to enter into a new lease agreement with a landlord to be determined for the use of approximately 4,500 square feet of office space at a location to be determined in the city of Providence and for a five (5) year term; and

WHEREAS, The leased premises will provide a critical location for the offices of the Department of Corrections from which the Department can serve the needs of Providence and surrounding communities and otherwise fulfill the mission of the Department; and

WHEREAS, The anticipated annual rent of the new lease agreement in each of the initial five (5) years of the term will not exceed \$88,000; and

WHEREAS, The payment of annual rent will be made from funds available to the Department of Corrections for the payment of rental and lease costs based on annual appropriations made by the General Assembly; and

WHEREAS, The State Properties Committee now respectfully requests the approval of the Rhode Island House of Representatives and the Rhode Island Senate for the lease agreement between the Department of Corrections and a landlord to be determined, for a facility located at a site to be determined, in the city of Providence; now therefore be it

RESOLVED, That this General Assembly of the State of Rhode Island and Providence Plantations hereby approves a lease agreement, at a location to be determined, for an initial term not to exceed five (5) years along with an option to renew for an additional five years. The total cost of the initial five year term shall not to exceed \$440,000; and it be further

RESOLVED, That this Joint Resolution shall take effect upon passage by the General assembly; and be it further

RESOLVED, That the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the Director of the Department of Corrections, the State Budget Officer, and the Chair of the State Properties Committee.

SECTION 3. *Judiciary.*

WHEREAS, The Judiciary currently has a lease agreement, in full force and effect, with 56 Associates, LP for approximately 39,043 square feet of records storage space located at 450 Main Street in the city of Pawtucket; and

WHEREAS, This lease will expire on May 31, 2013 and the Rhode Island Judiciary wishes to renew for a ten (10) year term; and

WHEREAS, The Rhode Island Judiciary respectfully requests that this Resolution supersede that which was previously approved during the 2011 Legislative Session as House

Resolution 6233 Sub A as the Judiciary has successfully negotiated a longer lease term at the same rental rate ; and

WHEREAS, The State of Rhode Island, acting by and through the Rhode Island Judiciary attests to the fact that there are no clauses in the lease agreement with 56 Associates, LP that would interfere with the Rhode Island Judiciary's lease agreement or use of the facility; and

WHEREAS, The leased premises provide a central location from which the Rhode Island Judiciary can serve the needs of the Rhode Island community and otherwise further and fulfill the mission of the Judiciary; and

WHEREAS, The annual rent in the current lease agreement for the fiscal year ending June 30, 2013 is \$234,540; and

WHEREAS, The annual rent of the proposed lease agreement in each of the ten (10) years of the term is not to exceed \$234,540; and

WHEREAS, At a meeting duly noticed on May 22, 2012, the State Properties Committee considered the siting criteria for leased facilities under Rhode Island General Laws § 37-6-2 and found this site met all relevant criteria; and

WHEREAS, The State Properties Committee now respectfully requests the approval of the Rhode Island House of Representatives and the Rhode Island Senate for a lease agreement between 56 Associates, LP and the Rhode Island Judiciary, for the facility located at 450 Main Street in the city of Pawtucket, Rhode Island; now therefore be it

RESOLVED, That this General Assembly of the State of Rhode Island and Providence Plantations hereby approves the lease agreement, for a term not to exceed ten (10) years and at a total cost not to exceed \$2,345,400; and be it further

RESOLVED, That this Joint Resolution shall take effect upon passage by the General assembly; and be it further

RESOLVED, That the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the Administrator of the Rhode Island Judiciary, the State Budget Officer, and the Chair of the State Properties Committee.

SECTION 4. *Department of Labor and Training.*

WHEREAS, The Department of Labor and Training currently has a lease agreement, in full force and effect, with One Reservoir, LLC for 25,000 square feet of office space located at One Reservoir Avenue in the city of Providence; and

WHEREAS, The current lease expires on June 17, 2013 and the Department of Labor and Training requests to renew for a period of ten (10) years the lease agreement with One Reservoir, LLC; and

WHEREAS, The State of Rhode Island, acting by and through the Department of Labor and Training attests to the fact that there are no clauses in the lease agreement with One Reservoir, LLC that would interfere with the Department of Labor and Training's lease agreement or use of the facility; and

WHEREAS, The leased premises provide a central location from which the Department of Labor and Training can serve the needs of the Rhode Island community and otherwise further and fulfill the mission of the Department; and

WHEREAS, The annual rent in the current lease agreement in the fiscal year ending June 30, 2013 is \$609,628; and

WHEREAS, The annual rent of the proposed lease agreement in each of the initial five (5) years of the term is not to exceed \$512,500; and \$525,250 in year six, \$538,250 in year seven, \$551,500 in year eight, \$565,250 in year nine, and \$579,250 in year ten.

WHEREAS, The State Properties Committee now respectfully requests the approval of the Rhode Island House of Representatives and the Rhode Island Senate for the lease agreement

between the Department of Labor and Training and One Reservoir, LLC, for the facility located at One Reservoir Avenue in the city of Providence, Rhode Island; now therefore be it

RESOLVED, That this General Assembly of the State of Rhode Island and Providence Plantations hereby approves the lease agreement, for a term not to exceed ten (10) years and at a total cost not to exceed \$5,322,000; and be it further

RESOLVED, That this Joint Resolution shall take effect upon passage by the General assembly; and be it further

RESOLVED, That the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the Director of the Department of Labor and Training, the State Budget Officer, and the Chair of the State Properties Committee.

SECTION 5. *Department of Human Services.*

WHEREAS, The Department of Human Services currently has a lease agreement with Kellaway Realty Corporation for approximately 18,000 square feet of office space located at 24 Commerce Street in the city of Pawtucket; and

WHEREAS, The State of Rhode Island, acting by and through the Department of Human Services attests to the fact that there are no clauses in the lease agreement with Kellaway Realty Corporation that would interfere with the Department of Human Services lease agreement or use of the facility; and

WHEREAS, The aforementioned lease expires on December 31, 2013 and the Department of Human Services wishes to advertise a Request for Proposals and enter into a new lease agreement with a landlord to be determined for the use of approximately 18,000 square feet of office space located in the city of Pawtucket; and

WHEREAS, The Department of Human Services and its programs operating in their current location may relocate to a new location based on the results of the Request for Proposals process; and

WHEREAS, The proposed leased premises will provide a location from which the Department of Human Services can serve the needs of the Pawtucket and surrounding communities and otherwise fulfill the mission of the Department; and

WHEREAS, The rent in the current lease agreement in the fiscal year ending June 30, 2013 is \$252,000; and

WHEREAS, The annual rent of the proposed lease agreement for each of the five (5) years of the term is not to exceed \$360,000; and

WHEREAS, At a meeting duly noticed on April 10, 2012 the State Properties Committee approved the Department of Human Services request to advertise a Request for Proposals in order to secure new office space in the city of Pawtucket; and

WHEREAS, The State Properties Committee now respectfully requests the approval of the Rhode Island House of Representatives and the Rhode Island Senate for the lease agreement between the Department of Human Services and a landlord to be determined, for the facility located at a location to be determined in the city of Pawtucket, Rhode Island; now therefore be it

RESOLVED, That this General Assembly of the State of Rhode Island and Providence Plantations hereby approves the lease agreement, for an initial term not to exceed five (5) years and at a total cost not to exceed \$1,800,000; and be it further

RESOLVED, That this Joint Resolution shall take effect upon passage by the General assembly; and be it further

RESOLVED, That the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the Director of the Department of Human Services, the State Budget Officer, and the Chair of the State Properties Committee.

SECTION 6. *University of Rhode Island - Physical Therapy Program.*

WHEREAS, The University of Rhode Island (the University) has academic programs in Physical Therapy, Communicative Disorders, and Kinesiology with teaching, research, and outreach that benefits Rhode Island adults and children with injuries and disabilities; and

WHEREAS, The Independence Square Foundation (the Foundation) is a non profit corporation that develops and manages community center buildings, leasing space at affordable rates to not for profit operations, with a historical emphasis on operations supporting individuals with disabilities; and

WHEREAS, The Foundation promotes and fosters collaborative relationships between its non profit tenants in the interest of enhancing the range and quality of services offered to these special populations, recognized at the national level as a unique model to be emulated; and

WHEREAS, In 1991, the University and the Board of Governors for Higher Education, (the Board), and the State Properties Committee (the Properties Committee) approved a lease (Ground Lease) for a parcel of land at 25 West Independence Way on the Kingston Campus of the University in Kingston, Rhode Island to the Foundation, enabling Independence Square to build a 40,000 square foot community center building for the University and not for profit tenants, and in 2007 approved an extension of that Ground Lease through 2032, enabling Independence Square to qualify for \$1,200,000 in federal grant funding toward the successful construction of a 28,000 square foot addition to the building in 2009; and

WHEREAS, Per the Ground Lease Agreement, the Foundation is required to make payments of \$1 per year and at the end of the term or further extension of the Ground Lease, the University and the Board will obtain title to the building and associated improvements for the payment of \$1; and

WHEREAS, The Board and the State Properties Committee, at that same time and in 2002, approved space leases (Lease) for the University's Physical Therapy Program and

Communicative Disorders Speech and Hearing Clinic, respectively, within the existing building at 25 West Independence Way and those programs, associated students and faculty, and clinical clients have benefited from the quality, accessible, well maintained facilities for the duration of those Leases; and

WHEREAS, The present Lease for 16,400 square feet of space in the Independence Square Foundation II building at 25 West Independence Way on the University's Kingston Campus had reached the end of its extended term as of December 31, 2012; and

WHEREAS, The University, the Board, and the State Properties Committee have approved a Lease for the same 16,400 square feet of space in the Independence Square Foundation II building for a period of one year beginning on January 1, 2013, in the interest of continuing the presence of the University's Physical Therapy Program in that space while a nine (9) year lease extension undergoes consideration per the requirements of § 37-6-2 of the Rhode Island General Laws during the 2013 Legislative Session; and

WHEREAS, There is a strong interest in continuing the Physical Therapy Program's academic and clinical programs within the space they presently occupy in the Independence Square II building for a period coincident with the existing, applicable Ground Lease, which is scheduled to end as of December 31, 2032; and

WHEREAS, The University, the Board, and the State Properties Committee have approved a Lease (the Lease Agreement), with a term of nine (9) years, for 16,400 square feet of space in the Independence Square II building for the University's Physical Therapy Program, with that Lease Agreement and associated obligations beginning on January 1, 2014, subject to the required Executive and Legislative authorizations; and

WHEREAS, The Lease Agreement requires the University to pay a Base Rent for the University's proportionate share of building operating expenses, including heating, cooling, lighting, and basic electrical service, such Base Rent in the first year being \$200,616,

calculated on an annualized basis, this Base Rent being subject to incremental changes in actual operating expenses incurred to support the building, applicable to the proportional share of the building occupied by the Physical Therapy Program under The Lease in future years; and

WHEREAS, Under the Lease Agreement, the University will be required to pay Additional Rent for the University's proportionate share of Property Taxes, if applicable, and Operating Expenses in excess of those covered by the Base Rent as determined by calculation of actual expenses incurred by the Foundation for the Independence Square Foundation II Building at the end of each calendar year of the Lease. Such Additional Rent payments, which have been between \$14,000 and \$25,000 over the previous eight (8) years under the expiring Lease, are to be supported by University general revenues; now, therefore, be it

RESOLVED, That the Foundation's Project is a favorable investment on the University's Kingston Campus that ultimately becomes an asset of the University and the State, serving an important academic program and critical operations serving children with special needs, while further building upon a successful University, Foundation, and Community partnership and this General Assembly hereby approves this Lease Agreement; and be it further

RESOLVED, That this General Assembly of the State of Rhode Island and Providence Plantations hereby approves the lease agreement, for a term not to exceed nine (9) years and at a total cost not to exceed \$1,990,000; and be it further

RESOLVED, That this Joint Resolution shall take effect upon passage by the General assembly; and be it further

RESOLVED, That the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the President of the University of Rhode Island, the State Budget Officer, and the Chair of the State Properties Committee.

SECTION 7. *University of Rhode Island - Communicative Disorders Program.*

WHEREAS, The University of Rhode Island (the University) has academic programs in Physical Therapy, Communicative Disorders, and Kinesiology with teaching, research, and outreach that benefits Rhode Island adults and children with injuries and disabilities; and

WHEREAS, The Independence Square Foundation (the Foundation) is a non profit corporation that develops and manages community center buildings, leasing space at affordable rates to not for profit operations, with a historical emphasis on operations supporting individuals with disabilities; and

WHEREAS, The Foundation promotes and fosters collaborative relationships between its non profit tenants in the interest of enhancing the range and quality of services offered to these special populations, recognized at the national level as a unique model to be emulated; and

WHEREAS, In 1991, the University and the Board of Governors for Higher Education, (the Board), and the State Properties Committee (the Properties Committee) approved a lease of land (Ground Lease), for a parcel of land at 25 West Independence Way on the Kingston Campus of the University in Kingston, Rhode Island to the Foundation enabling Independence Square to build a 40,000 square foot community center building for the University and not for profit tenants, and in 2007 approved an extension of that Ground Lease through 2032, enabling Independence Square to qualify for \$1,200,000 in federal grant funding toward the successful construction of a 28,000 square foot addition to the building in 2009; and

WHEREAS, Per the Ground Lease Agreement, the Foundation is required to make payments of \$1 per year and at the end of the term or further extension of the Ground Lease, the University and the Board obtain title to the building and associated improvements for the payment of \$1; and

WHEREAS, The Board and the State Properties Committee, in 2002, approved a space lease (Lease) for the University's Communicative Disorders Program's Speech and Hearing

Clinic within the existing building at 25 West Independence Way and the Program's, associated students and faculty, and clinical clients have benefited from the quality, accessible, well maintained facilities for the duration of that Lease; and

WHEREAS, The present Lease for 4,300 square feet of space for the Communicative Disorders Program in the Independence Square Foundation II building at 25 West Independence Way on the University's Kingston Campus reached the end of its initial term as of January 31, 2013; and

WHEREAS, The University, the Board, and the State Properties Committee have approved an Amendment One to the Lease for the same 4,300 square feet of space in the Independence Square Foundation II building for a period of one year beginning on February 1, 2013, in the interest of continuing the presence of the University's Communicative Disorders Program in that space under the same terms and conditions, excepting that the terms of Section 5.05 pertaining to University's obligations to compensate for renovation work performed by Independence Square will no longer apply, while a long term lease extension undergoes consideration per the requirements of § 37-6-2 of the Rhode Island General Laws during the 2013 Legislative Session; and

WHEREAS, There is a strong interest in continuing the Communicative Disorders Program's academic and clinical programs within the space they presently occupy in the Independence Square II building for a period beyond the initial ten-year term plus the one year extension that will end as of January 31, 2013; and

WHEREAS, The University, the Board, and the State Properties Committee have approved a continuation of the Lease Agreement's terms and conditions excepting that the terms of Section 5.05 pertaining to University's obligations to compensate for renovation work performed by Independence Square will no longer apply, (Amendment Two to the Lease Agreement), with a term of nine (9) years, for the same 4,300 square feet of space in the

Independence Square II building for the University's Communicative Disorders Program, with that Amendment Two to the Lease Agreement and associated obligations beginning on February 1, 2014 and continuing through January 31, 2023; and

WHEREAS, The Lease Agreement requires the University to pay a Base Rent for the University's proportionate share of building operating expenses, including heating, cooling, lighting, and basic electrical service, such Base Rent in the first year and the nine years being \$45,408, calculated on an annualized basis, this Base Rent being subject to incremental changes in actual operating expenses incurred to support the building, applicable to the proportional share of the building occupied by the Communicative Disorders Program under The Lease in future years; and

WHEREAS, Under the Lease Agreement, the University will be required to pay Additional Rent for the University's proportionate share of Property Taxes, if applicable, and Operating Expenses in excess of those covered by the Base Rent as determined by calculation of actual expenses incurred by the Foundation for the Independence Square Foundation II Building at the end of each calendar year of the Lease. Such Additional Rent payments, which have been between \$5,676 and \$12,984 over the previous eight (8) years under the expiring Lease, are to be supported by University general revenues; now, therefore, be it

RESOLVED, That the Foundation's Project is a favorable investment on the University's Kingston Campus that continues to serve the facility needs of the University's academic and clinical programs and ultimately becomes an asset of the University and the State, serving an important academic program and critical operations serving children and adults with special needs, while further building upon a successful University, Foundation, and Community partnership and this General Assembly hereby approves this Amendment Two to the Lease Agreement for the University's Communicative Disorders Program; and be it further

RESOLVED, That this General Assembly of the State of Rhode Island and Providence Plantations hereby approves the lease agreement, for a term not to exceed nine (9) years and at a total cost not to exceed \$515,000; and be it further

RESOLVED, That this Joint Resolution shall take effect upon passage by the General Assembly; and be it further

RESOLVED, That the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the President of the University of Rhode Island, the State Budget Officer, and the Chair of the State Properties Committee.

SECTION 8. This article shall take effect upon passage.