

2014 -- S 3040

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2014

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A N A C T

RELATING TO EDUCATION -- NURSING EDUCATION CENTER LEASE
AUTHORIZATION

Introduced By: Senators Jabour, Sosnowski, Ruggerio, Goodwin, and Metts

Date Introduced: May 29, 2014

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Chapter 16-32 of the General Laws entitled "University of Rhode Island
2 [See Title 16 Chapter 97 - The Rhode Island Board of Education Act]" is hereby amended by
3 adding thereto the following sections:

4 **16-32-32. Nursing education center lease authorization.** – (a) Findings of fact. The
5 general assembly finds and declares as follows:

6 (1) At a meeting duly noticed on March 11, 2014, the state properties committee provided
7 approval to negotiate a lease for the nursing education center at the former South Street power
8 station building; and

9 (2) The department of administration has proposed a lease (the "Proposed Lease
10 Agreement"), with a term of fifteen (15) years, with an option to extend the lease for a period not
11 to exceed two (2) years, for approximately one hundred thirty two thousand four hundred forty
12 nine (132,449) square feet of space on the first, second, and a portion of the third floor of the
13 planned renovated and expanded former South Street power station building for the nursing
14 education center. The term of the lease agreement is anticipated to begin on July 1, 2016; and

15 (3) The proposed lease agreement would require the board of education to pay:

16 (i) Base rent for the proportionate share of the core building design, renovation and
17 construction expenses of fourteen dollars (\$14.00) per square foot, or one million eight hundred
18 fifty five thousand dollars (\$1,855,000) annually during the first five (5) years of the lease term;

1 (ii) Tenant improvement rent for the anticipated cost of developer financing, design, and
2 construction of the nursing education center space, presently estimated at eighteen dollars and
3 eighty one cents (\$18.81) per square foot per year, or an average of two million four hundred
4 ninety one thousand dollars (\$2,491,000) annually for each year of the lease term, the exact
5 amount to be determined in accordance with a formula in the lease agreement; and

6 (iii) Additional rent for the proportionate share of the actual building operating,
7 maintenance, and metered utility expenses, estimated at twelve dollars and seventy five cents
8 (\$12.75) per square foot, or one million six hundred eighty nine thousand dollars (\$1,689,000) for
9 the first year following the commencement of occupancy; and

10 (4) The base rent under the proposed lease agreement would increase to fifteen dollars
11 and twelve cents (\$15.12) per square foot in years six (6) through ten (10), sixteen dollars and
12 thirty-three cents (\$16.33) per square foot for years eleven (11) through fifteen (15), and
13 seventeen dollars and fifteen cents (\$17.15) during the option period. During the option period,
14 the tenant improvement rent would be reduced to zero dollars (\$0.00). The operating expense rent
15 and metered utilities would be adjusted annually, based on a reconciliation of estimated costs and
16 actual costs; and

17 (5) The proposed lease agreement provides that, during lease year six (6) and after the
18 end of lease year twelve (12), the board of education would have an option to purchase, as a
19 condominium unit, that portion of the building leased for the nursing education center, exercise of
20 such option and the financing thereof subject to general assembly approval; and

21 (6) The state shall be responsible for paying the base rent and the tenant improvement
22 rent, and the board of education shall fairly apportion the additional rent between the university
23 and the college; and

24 (7) The proposed lease agreement provides that no rent is payable until:

25 (i) The renovation and construction of the South Street landing project is completed; and

26 (ii) The developer has secured a certificate of occupancy for the building, including
27 specifically the nursing education center space; and

28 (iii) The nursing education center space is determined to be completed according to the
29 project specifications and terms of the proposed lease agreement.

30 (b) Approval. The general assembly hereby approves the proposed lease agreement for
31 the Nursing education center for the space in the former South Street power station building for a
32 term not to exceed seventeen (17) years and at a total cost not to exceed thirty-four million six
33 hundred forty-one thousand dollars (\$34,641,000) for the base rent; and an amount not to exceed
34 twenty-five million dollars (\$25,000,000), plus the applicable interest and financing costs for the

1 tenant improvement rent; and additional rent for the proportionate share of operating and
2 maintenance expenses and metered utilities.

3 **16-32-33. Financing of alterations.** – (a) Findings of fact. The general assembly finds
4 and declares as follows:

5 (1) The department of administration's proposed lease agreement grants to the board of
6 education the right to finance the tenant improvements itself, without availing itself of the
7 provision of developer financing as contemplated in the proposed lease agreement, if such an
8 alternative method is determined to be advantageous and in the best interest of board of education
9 and the state; and

10 (2) The exercise of the board of education's option to finance the tenant improvements
11 will thereby eliminate tenant improvement rent (encompassing construction and design costs)
12 during the term of the proposed lease agreement, provided that the proceeds of such financing are
13 available to the developer no earlier than the rent commencement date in the proposed lease
14 agreement which is when the renovation and construction of the South Street landing project is
15 completed and the developer has secured a certificate of occupancy for the building, including
16 specifically the nursing education center space, and the nursing education center space is
17 determined to be completed according to the project specifications and terms of the proposed
18 lease agreement and no later than six (6) months thereafter; and

19 (3) The alternative tenant improvement project costs to be financed for the nursing
20 education center are anticipated not to exceed twenty-five million dollars (\$25,000,000), plus
21 costs associated with the issuance of such financing; and

22 (4) The term of such financing would not exceed fifteen (15) years, with provisions made
23 in the structure of the financing to permit early payment of the outstanding amount of such
24 financing, if the option to purchase in the proposed lease agreement is approved and executed
25 during either of the two (2) time periods when such an option is exercisable under the lease
26 agreement; and

27 (5) Because of the use of Federal Historic Preservation Tax Credits applicable to the
28 tenant improvement work for the nursing education center, taxable rate financing must be
29 employed at a rate not expected to exceed eight percent (8.0%); and

30 (6) The resulting annual debt service associated with the state financing of the nursing
31 education center is expected not to exceed three million eight hundred three thousand dollars
32 (\$3,803,000) annually and forty-eight million two hundred four thousand dollars (\$48,204,000)
33 for the duration of an up to fifteen (15) year term.

34 (b) Approval. The general assembly hereby approves alternative financing not to exceed

1 twenty-five million five hundred thousand dollars (\$25,500,000), including twenty-five million
2 dollars (\$25,000,000) for the estimated tenant improvement project costs and five hundred
3 thousand dollars (\$500,000) for the estimated cost of financing.

4 **16-32-34. Financing of technology, fixtures and furnishings. – (a) Findings of fact.**

5 The general assembly finds and declares as follows:

6 (1) The university's college of nursing and the college's nursing school, and personnel
7 from both institutions who support networking and instructional technology have worked closely
8 with the developer's architectural team on the complement and configuration of the instructional,
9 simulation, and practice lab configuration of spaces through the schematic design phase of the
10 nursing education center facilities, with the objective of achieving a technology rich, realistic,
11 high-caliber learning and training experience for nursing undergraduate students, graduate
12 students, and those practicing nurses seeking higher levels of certification and training; and

13 (2) The manner in which the facilities are furnished and equipped is an extremely
14 important aspect of assuring that the completed and occupied nursing education center exceeds
15 the educational and training expectations of students and faculty when it opens and into the future
16 with opportunities for expanded use by other higher education institutions, hospitals, and medical
17 institutions for medical students, pharmacy students, physician assistant students, medical
18 technician trainees, as well as nurses in a simulated "Smart Hospital" physician offices, and home
19 care settings; and

20 (3) The initial and continuing success of a teaching and learning center such as this is
21 highly dependent upon the quality and sophistication of the equipment, including computerized
22 mannequins, interactive audio/visual, realistic hospital beds with support systems, and video
23 recording systems to enable post-training review and critique of experiential learning experiences,
24 fixtures, and furnishings that are acquired and deployed to outfit both the formal teaching and
25 simulation facilities, as well as the traditional classrooms, gathering, meeting and faculty office
26 spaces; and

27 (4) Architects and consultants on the developer's design team focusing on the nursing
28 education center have provided a detailed inventory and pricing analysis of the equipment,
29 fixtures, and furnishings, on a room-by-room basis, recommended to meet the objectives of the
30 shared nursing education center; and

31 (5) The investment in technology, equipment, fixtures and furnishings is projected to cost
32 ten million fifty thousand dollars (\$10,050,000) and the intent is to secure lease/purchase
33 financing through the issuance of certificates of participation in order to spread the cost of that
34 investment over ten (10) fiscal years, at an anticipated non-taxable interest rate estimated not to

1 exceed seven percent (7.0%); and

2 The resulting annual debt service associated with the state financing of the technology,
3 equipment, fixtures and furnishing is expected not to exceed one million four hundred ninety-
4 seven thousand dollars (\$1,497,000) annually and fourteen million nine hundred fifty thousand
5 dollars (\$14,950,000) for the duration of the term of financing; and

6 (b) Approval. The general assembly hereby approves lease/purchase financing not to
7 exceed ten million five hundred thousand dollars (\$10,500,000), including ten million fifty
8 thousand dollars (\$10,050,000) for the estimated cost of technology, equipment, fixtures and
9 furnishings and four hundred fifty thousand dollars (\$450,000) for the estimated cost of
10 financing.

11 SECTION 2. This act shall take effect upon passage and shall be limited to debt issued
12 prior to January 1, 2018.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO EDUCATION -- NURSING EDUCATION CENTER LEASE
AUTHORIZATION

1 This act would authorize a lease agreement between the state and the developer of the
2 South Street power station redevelopment for the construction of a joint nursing school operated
3 by Brown University and the University of Rhode Island and the financing of the cost of certain
4 alterations to the structure and purchase of furnishings which would be the property of the school.

5 This act would take effect upon passage and would be limited to debt issued prior to
6 January 1, 2018.

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