

16 - 0128



January 28, 2016

JoAnne Zoff
Secretary of the Senate
Minnesota Senate
540 Centennial Office Building
658 Cedar Street
St Paul MN 55155

Patrick Murphy
Chief Clerk
Minnesota House of Representatives
B23 State Office Building
100 Rev. Martin Luther King Jr. Blvd
St Paul MN 55155

RE: Cost analysis notification for lease of more than 50,000 square feet

Dear Ms. Zoff and Mr. Murphy:

I am submitting the attached cost analysis for a lease of more than 50,000 square feet in compliance with Minn. Stat. §16B.31, Subd. 6(b). The lease is being negotiated on behalf of the Bridges, Field Services, and MinnCor programs at the Minnesota Department of Corrections.

The three programs are currently located in separate facilities, but the new lease will co-locate them to support shared programming and allow for additional efficiencies within currently occupied spaces. The Bridges program provides job training skills and employment search assistance for persons recently released from prisons (Bridges is operated by MinnCor). The Field Services program is a probation office, whose clients are the primary users of the Bridges program. The MinnCor program is currently located in the same leased location as the Department of Corrections Central Office, which is in need of expansion space. These programs currently have three separate leases spread throughout the City of St. Paul.

The lease is with Duke Realty Limited Partnership for 76,800 usable square feet, including office space (24,004 usable square feet) and warehouse (52,796 useable square feet) in the building located at 2420 Long Lake Road in Roseville. The ten-year lease is effective May 1, 2016.

Please note on the cost analysis document that the state negotiated a \$2.1 million reduction in lease costs from the original offer. MinnCor and Field Services will make an initial investment to remodel the space, which will reduce the rental rate over the term of the lease.

Respectfully,

A handwritten signature in black ink, appearing to read "Matt Massman".

Matt Massman
Commissioner

Attachment

c: Legislative Reference Library

DEPARTMENT OF CORRECTIONS
MINNCOR AND FIELD SERVICES
 2420 LONG LAKE ROAD-ROSEVILLE
 PROPOSAL ANALYSIS

EXISTING LEASES AND LEASE RATES					
LEASE NO.	TENANT	SQUARE FEET	RATE PER SQ. FT.	MONTHLY PAYMENT	ANNUAL RENT
11720	MINNCOR	14,100	\$20.00	\$ 23,500.00	\$ 470,000.00
11914	MINNCOR	15,280	\$6.41	\$ 8,162.07	\$ 52,318.87
11950	MINNCOR	3,023	\$8.00	\$ 2,015.33	\$ 16,122.64
		32,403		\$ 33,677.40	\$ 538,441.51
11641	Field Services	1,790	\$19.77	\$ 2,949.03	\$ 58,302.32
				TOTAL	\$ 596,743.83

EXISTING SPACE RENT VS. NEW SPACE RENT SAVINGS \$ (25,336.18)

YEAR 1 SNAP SHOT

INITIAL LEASE PROPOSAL AT 2420 LONG LAKE ROAD							
10 YEAR LEASE TERM 6% ANNUAL INCREASES STARTING AT THE BELOW RATES:							
LEASE NO.	TENANT		SQUARE FEET	RATE PER SQ. FT.	MONTHLY PAYMENT	RENT FOR LEASE PERIOD	
12142	MINNCOR	Office	19,709	\$11.75	\$ 19,298.40	\$ 231,580.80	
12142	MINNCOR	Warehouse	52,796	\$7.63	\$ 33,584.09	\$ 403,009.08	
			72,505		\$ 52,882.49	\$ 634,589.88	
TBD	Field Services	Office	4,295	\$11.75	\$ 4,205.52	\$ 50,466.24	
		TOTAL BUILDING SF	76,800		TOTAL	\$ 685,056.12	
		<i>Represents a blended rate of: \$8.92/SF</i>					
		<i>for the Lease of entire building</i>					

YEAR 1 SNAP SHOT

COUNTER LEASE PROPOSAL AT 2420 LONG LAKE ROAD							
10 YEAR LEASE TERM 3.25% ANNUAL INCREASES STARTING AT THE BELOW RATES:							
LEASE NO.	TENANT		FEET	PER SQ.	PAYMENT	LEASE PERIOD	
12142	MINNCOR	Office	19,709	\$11.50	\$ 18,887.79	\$ 226,653.50	
12142	MINNCOR	Warehouse	52,796	\$6.55	\$ 28,836.17	\$ 346,034.01	
			72,505		\$47,723.96	\$ 572,687.51	
TBD	Field Services	Office	4,295	\$11.50	\$ 4,116.04	\$ 49,392.50	
		TOTAL BUILDING SF	76,800		TOTAL	\$ 622,080.01	
		<i>Represents a blended rate of: \$8.10/SF</i>					
		<i>for the Lease of entire building</i>					

YEAR 1 INITIAL PROPOSAL VS. COUNTER SAVINGS \$ 62,976.11

INITIAL PROPOSAL DATED 11/27/15						
	LEASE PERIOD		SQUARE FEET	RATE PER SQ. FT.	MONTHLY PAYMENT	RENT FOR LEASE PERIOD
YEAR 1	4/1/16 - 3/31/17	Office	24,004	\$ 11.75	\$ 23,503.92	\$ 282,047.04
	4/1/16 - 3/31/17	Warehouse	52,796	\$ 7.63	\$ 33,584.09	\$ 403,009.08
		TOTAL			\$ 57,088.01	\$ 685,056.12
YEAR 2	4/1/17 - 3/31/18	Office	24,004	\$ 12.46	\$ 24,924.15	\$ 299,089.80
	4/1/17 - 3/31/18	Warehouse	52,796	\$ 8.09	\$ 35,593.30	\$ 427,119.60
		TOTAL			\$ 60,517.45	\$ 726,209.40
YEAR 3	4/1/18 - 3/31/19	Office	24,004	\$ 13.21	\$ 26,424.40	\$ 317,092.80
	4/1/18 - 3/31/19	Warehouse	52,796	\$ 8.58	\$ 37,749.14	\$ 452,989.68
		TOTAL			\$ 64,173.54	\$ 770,082.48
YEAR 4	4/1/19 - 3/31/20	Office	24,004	\$ 14.00	\$ 28,004.67	\$ 336,056.04
	4/1/19 - 3/31/20	Warehouse	52,796	\$ 9.09	\$ 39,992.97	\$ 479,915.64
		TOTAL			\$ 67,997.64	\$ 815,971.68
YEAR 5	4/1/20 - 3/31/21	Office	24,004	\$ 14.84	\$ 29,684.95	\$ 356,219.40
	4/1/20 - 3/31/21	Warehouse	52,796	\$ 9.64	\$ 42,412.79	\$ 508,953.48
		TOTAL			\$ 72,097.74	\$ 865,172.88
YEAR 6	4/1/21 - 3/31/22	Office	24,004	\$ 15.73	\$ 31,465.24	\$ 377,582.88
	4/1/21 - 3/31/22	Warehouse	52,796	\$ 10.22	\$ 44,964.59	\$ 539,575.08
		TOTAL			\$ 76,429.83	\$ 917,157.96
YEAR 7	4/1/22 - 3/31/23	Office	24,004	\$ 16.67	\$ 33,345.56	\$ 400,146.72
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 10.83	\$ 47,648.39	\$ 571,780.68
		TOTAL			\$ 80,993.95	\$ 971,927.40
YEAR 8	4/1/22 - 3/31/23	Office	24,004	\$ 17.67	\$ 35,345.89	\$ 424,150.68
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 11.48	\$ 50,508.17	\$ 606,098.04
		TOTAL			\$ 85,854.06	\$ 1,030,248.72
YEAR 9	4/1/22 - 3/31/23	Office	24,004	\$ 18.73	\$ 37,466.24	\$ 449,594.88
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 12.17	\$ 53,543.94	\$ 642,527.28
		TOTAL			\$ 91,010.18	\$ 1,092,122.16
YEAR 10	4/1/22 - 3/31/23	Office	24,004	\$ 19.85	\$ 39,706.62	\$ 476,479.44
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 12.90	\$ 56,755.70	\$ 681,068.40
		TOTAL			\$ 96,462.32	\$ 1,157,547.84
TOTAL						\$ 9,031,496.64

TOTAL FOR BOTH LEASES \$ 9,355,310.64

Final Proposal 1/11/16										
	LEASE PERIOD		SQUARE FEET	RATE PER SQ. FT.	MONTHLY PAYMENT	RENT FOR LEASE PERIOD				
YEAR 1	4/1/16 - 3/31/17	Office	24,004	\$ 11.50	\$ 23,003.83	\$ 276,045.96				
	4/1/16 - 3/31/17	Warehouse	52,796	\$ 6.55	\$ 28,836.17	\$ 346,034.04				
		TOTAL			\$ 51,840.00	\$ 622,080.00				
YEAR 2	4/1/17 - 3/31/18	Office	24,004	\$ 11.87	\$ 23,743.96	\$ 284,927.52				
	4/1/17 - 3/31/18	Warehouse	52,796	\$ 6.76	\$ 29,741.75	\$ 356,901.00				
		TOTAL			\$ 53,485.71	\$ 641,828.52				
YEAR 3	4/1/18 - 3/31/19	Office	24,004	\$ 12.26	\$ 24,524.09	\$ 294,289.08				
	4/1/18 - 3/31/19	Warehouse	52,796	\$ 6.98	\$ 30,709.67	\$ 368,516.04				
		TOTAL			\$ 55,233.76	\$ 662,805.12				
YEAR 4	4/1/19 - 3/31/20	Office	24,004	\$ 12.66	\$ 25,324.22	\$ 303,890.64				
	4/1/19 - 3/31/20	Warehouse	52,796	\$ 7.21	\$ 31,721.60	\$ 380,659.20				
		TOTAL			\$ 57,045.82	\$ 684,549.84				
YEAR 5	4/1/20 - 3/31/21	Office	24,004	\$ 13.07	\$ 26,144.36	\$ 313,732.32				
	4/1/20 - 3/31/21	Warehouse	52,796	\$ 7.44	\$ 32,733.52	\$ 392,802.24				
		TOTAL			\$ 58,877.88	\$ 706,534.56				
YEAR 6	4/1/21 - 3/31/22	Office	24,004	\$ 13.49	\$ 26,984.50	\$ 323,814.00				
	4/1/21 - 3/31/22	Warehouse	52,796	\$ 7.69	\$ 33,833.44	\$ 406,001.28				
		TOTAL			\$ 60,817.94	\$ 729,815.28				
YEAR 7	4/1/22 - 3/31/23	Office	24,004	\$ 13.93	\$ 27,864.64	\$ 334,375.68				
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 7.93	\$ 34,889.36	\$ 418,672.32				
		TOTAL			\$ 62,754.00	\$ 753,048.00				
YEAR 8	4/1/22 - 3/31/23	Office	24,004	\$ 14.39	\$ 28,784.80	\$ 345,417.60				
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 8.19	\$ 36,033.27	\$ 432,399.24				
		TOTAL			\$ 64,818.07	\$ 777,816.84				
YEAR 9	4/1/22 - 3/31/23	Office	24,004	\$ 14.85	\$ 29,704.95	\$ 356,459.40				
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 8.46	\$ 37,221.18	\$ 446,654.16				
		TOTAL			\$ 66,926.13	\$ 803,113.56				
YEAR 10	4/1/22 - 3/31/23	Office	24,004	\$ 15.34	\$ 30,685.11	\$ 368,221.32				
	4/1/22 - 3/31/23	Warehouse	52,796	\$ 8.73	\$ 38,409.09	\$ 460,909.08				
		TOTAL			\$ 69,094.20	\$ 829,130.40				
TOTAL						\$ 7,210,722.12				

TOTAL FOR BOTH LEASES \$ 7,210,722.12