

ITEM 152-2009-R0911

Authorization to Enter Into Off Campus Lease for Extension Housing Program Training Facility; Montana State University

THAT

The Board of Regents of Higher Education authorizes MSU to enter into a five year lease located off-campus at 705 Osterman Drive, Bozeman Montana. The first year estimated cost of the lease is \$165,227.

EXPLANATION

1. Since 1991, the MSU Extension Housing Program has received annual training grants from the U.S. Department of Energy, through the Montana Department of Public Health and Human Services. Under these grants, MSU Extension has provided weatherization training for contractors from Montana, the region, and the Tribes.
2. The weatherization training services were expanded in 2009-2010 and the Extension Housing Program leased off-campus facilities for the training because of the limitations of space on the MSU campus. The current annual lease will end on January 31, 2012 and the Extension Housing Program wishes to continue to lease the same premises for five years with optional three additional one year renewals, for a total potential period of eight years.
3. The leased premises are located at 705 Osterman Drive, Bozeman Montana, and are comprised of 15,505 square feet of commercial space. The Lessor is Frontage Road Commercial Properties, LLC, 607 Triple Tree Road, Bozeman, MT 59715.
4. Originally, a one year lease was entered in April 2009 for 5,373 square feet in the same premises. Then in September 2009, an additional 5,356 square feet of space in was subleased from an adjoining tenant in the same building.
5. In 2010, the Extension Housing Program recognized a need for even more additional space and engaged Grubb and Ellis to make an assessment of commercial properties in Bozeman which would be sufficient to house the entire weatherization training operation, including the then leased space and an additional 4,776 square feet. The criteria for the space was developed in conjunction with the Montana Department of Public Health and Human Services and it included: space to accommodate mobile homes for training; interior classroom space for four concurrent training session; lab space for heating, ventilation, air conditioning, and flex-lab design training; space for a distance learning studio; and office space. Grubb and Ellis identified expansion of the space in the same building at 705 Osterman Drive as the preferable space and a lease for one year was entered into consolidating the space from the original 2009 lease, the sublease, and the additional space for a total of 15,505 square feet.
6. This current consolidated lease will end January 31, 2012. While the current lease contains the right to extend the lease for another year, the Extension Housing Program wishes to enter into a longer term lease and, thus, is requesting approval from the Board of Regents for a new longer-term lease.
7. Use of the lease and the space has been approved by the funding source and annual grants for weatherization training have been in place for 20 years. All of the rental and management/maintenance

(triple net) fees associated with the current lease have been paid by the grant described above and, it is expected, will continue to pay for the space in the future. Nevertheless, the proposed lease contains a provision which allows the Extension Housing Program to terminate the lease if there is a loss of funding.

8. The cost of the lease includes monthly rent of \$8.70/square foot and triple net fees of \$1.95/square foot. This cost is reasonable based on an analysis of the market for comparable commercial property in Bozeman performed by an independent commercial property appraiser in late 2010. Rental fees are adjusted annually based upon changes in the CPI with a cap of 5% per year and triple net fees are adjusted annually based on actual experienced costs.

ATTACHMENTS

Attached is a copy of the proposed lease.