

May 17, 2013

GEORGIA STATE PROPERTIES COMMISSION
REQUEST FOR PROPOSAL
LEASED OFFICE SPACE
LEASE No. 7443
GEORGIA DEPARTMENT OF HUMAN SERVICES
DEPARTMENT OF FAMILY AND CHILDREN SERVICES
GWINNETT COUNTY

In attendance:

State of Georgia: Frank Smith, Deputy Executive Director SPC
Jeff Lacks, Director of Procurement Services
Jim Bricker, Director of Facilities and Support Services, DHS
Scott Jennings, Leasing Division Manager
Debra Elovich, Space Manager
Jim Hyde, GSFIC

Cassidy Turley: Chris White, Senior Managing Director, Principal
Kirk Diamond, Senior Managing Director, Principal
Bradley Fulkerson, Managing Director, Principal

Meeting opened with introductions from the State and extended team and proceeded directly to questions and answers, including:

1. Is the requirement for 80,000 rentable or usable square feet? *Answer: Usable square feet*
2. Does the tenant want a single or multi-floor solution? *Answer: Either is acceptable, but it must be ADA accessible.*
3. Is the tenant expecting to pay escalations? *Answer: It is up to each bidder to propose the deal structure.*
4. Will the state agree to any termination penalties? *Answer: No*
5. Is the use public use or back office? *Answer: There is a large component of the space that will be public use.*
6. How does the negotiation process work? Will there be a counter offer to any of the proposals? *Answer: No, there will be no counter-offer. Please submit best and final offer. The committee will rank proposals based on the first offer. While the State reserves the right to negotiate with the selected bidder, the selection and award will be based on the initial submission.*
7. Is September 1 firm or desired date? *Answer: As stated in the RFP, Must be substantially available for improvement not later than Sept 1, 2013*
8. Does the initial requirement include expansion? *Answer: The program includes projected growth.*
9. Are there any ancillary State of Georgia groups that might want to locate adjacent to this user? *Answer: No, not at this time.*
10. If we are proposing a multi-building scenario, is there information on adjacencies that could assist us? *Answer: If multi-building is proposed, physical connectivity is desired.*
11. Is there a budget for TI? *Answer: No, State is looking for a turn key delivery of interiors. The State does request that the pricing for the estimated TI based on the preliminary interior design be submitted in the standard 16 category divisions of construction as defined by the Construction Specifications Institute (CSI), with quantity estimates and unit costs.*

12. Is there a requirement or desire for renewal options? *Answer: State is limited to 20 year term, and would like to see a 15 year term with a single five year renewal and/or a 20 year proposal.*
13. Is there a preference for fixed or indexed escalations in the rental rate formula? *Answer: The preference is for a fixed escalation if an escalation is proposed. A flat rate for the longest possible term is also preferred.*
14. What term should we assume for the commission on the deal? *Answer: The full lease term.*
15. There is a \$2.7M lease "overhang" or remaining obligation in one of the facilities you are leaving. What are the State's preferred or acceptable strategies for incorporating the remaining obligation into our proposal? *Answer: Each proposer should consider a simple solution consisting of a lump sum payment or escrow to handle this ongoing obligation. For more information on this item, see question #36.*
16. Regarding the \$2.7M lease remaining obligation, is there a lease obligation with a fixed expiration? *Answer: Yes.*
17. Does the state have any interest in purchasing the building? *Answer: No.*
18. The RFP includes the request for the brokerage fee to be paid ½ at lease execution and ½ by December 15. For Build to Suits is there any flexibility with the timing of the commission payment? *Answer: Yes, commissions may be paid ½ within 30 days of lease execution and ½ within 30 days of tenant's occupancy of the Premises.*
19. Is DFCS currently in a multi-tenant building? *Answer: Yes, in at least one of the properties being vacated.*
20. Have there been any security issues in the current facilities for this user? *Answer: Yes*
21. Is there armed security at the current properties occupied by this user? *Answer: Yes. Tenant will provide its own security through a separate contract.*
22. Does tenant require a metal detector, security screening for access to the Premises? *Answer No:*
23. Is there a breakout of what areas are secured and public access vs. administrative and not available to the public (employee access only)? *Answer: There will be a lobby area, secured, that is accessible to the public. Beyond the public area, a certain percentage of the space will be administration office space with no public access. It is estimated that 1/3 of the total requirement will be accessible to the public and 2/3 will be limited access and card access for employees/State staff only.*
24. Can the commission be paid in 5-year increments? *Answer: No, the commission should be a market commission on the full term paid as stated above in item #18.*
25. Will there be a state-wide security access system where State employees from all over the state can get into the administrative areas? *Answer: We aren't aware of a state-wide system, but there is a Gwinnett Countywide card access security system at the current facility. For the new facility, we require a card access security system for this building (or buildings, if multiple buildings are proposed) ONLY.*
26. RFP requires a preliminary pricing/space plan. Is that required for the initial proposal? *Answer: Yes*
27. In section D-1 of the RFP there is a request for "schematic drawings". That could cost \$50-60k. Would you accept a "conceptual drawing", vs. schematic drawing? *Answer: We are looking for a general schematic interior plan (preliminary plan, not construction documents) that we can be used for construction pricing.*
28. The RFP asks for four 1,500 SF waiting areas. Can you give us more detail on this item and the program in general? *Answer: The space program has been revised. Please refer to the revised program posted on SPC's website (Addendum 1)*
29. The RFP includes enclosed hard-walled offices at 8'x8'? This seems small. Please confirm. *Answer: The space program has been revised. Please refer to the revised program posted on SPC's website (Addendum 1)*

30. Will there be an opportunity for our architect to ask program questions? *A number of questions pertaining to the space program were received and addressed among this list of questions. We make no assurances that any questions received after the deadline to submitted questions will be addressed. Any additional information issued related to the space program or the RFP will be posted to the SPC website.*
31. What is the State's preference regarding furniture systems for the new space? *Answer: The State would like furniture systems included in the transaction costs, but would expect that the rent would reduce once the cost of furniture system is amortized over the useful life/amortization period of the furniture which is expected to be a period shorter than the lease term. Please contemplate a \$20/ rsf allowance for said furniture. Any unused portion of the allowance shall be de-amortized (at 6%) out of the rental rate over the furniture amortization period. It is also expected that the tenant shall have the option to own any furniture at the end of the term at tenant's sole discretion.*
32.) Will any furniture or workstations be relocated? *Answer: Some case goods but systems furniture is unlikely. Relocated furniture does not impact the allowance above.*
33. Is there a requirement for a structural barrier for security outside the building? *Answer: No.*
34. Regarding workstations, are you asking for the rental rate to come down after furniture is amortized? *Answer: Yes, we would prefer to see the rental rate come down.*
35. How will the proposed rental economics be analyzed, straight line, NPV, other? *Answer: The rental rate proposals will be analyzed over the term based on the 15 year and/or 20 year proposed terms. The State reserves the right to consider whole dollar costs, effective level rents and/or NPV.*
36. Is there a preference for free rent, lower rate, etc? *Answer: The State is looking for the best overall solution for this requirement. Rental costs are a significant component of the evaluation criteria; therefore it would be advantageous to propose as much free rent for as many years as possible.*
37. Is there an option for the new LL to re-lease the other facility that is generating the \$2.7M outstanding obligation? *Answer: The use of the facility that is being vacated is limited to a public use or function. It is best to consider that there is not an opportunity for the successful bidder to realize any revenue by subleasing the vacated premises. Any reduction in this obligation will be passed through to SPC in rent savings at the new facility.*
38. Could we tour the existing DFACS facilities? *Answer: No. However the public areas of any DFCS facility are open during normal business hours.*
39. Would the State consider an allowance for furniture, allowing the State to then purchase furniture directly? *Answer: Yes, see question 31 above.*
40. Is the space required to be column free, particularly for the 5,000 SF conference / training space? *Answer: No, space is not required to be column free.*
41. Does the State have the right to terminate the lease through the appropriation process? *Answer:*
In November 2012, the electorate of the State passed an amendment to the Constitution of the State of Georgia which allows SPC to enter into multi-year rental agreements. This amendment specifically amended Article VII, Section IV of the Constitution of the State of Georgia which reads in part: "...to enter into rental agreements for the possession and use of real property without obligating present funds for the full amount of obligation the state may bear under the full term of any such rental agreement. Any such agreement shall provide for the termination of the agreement in the event of insufficient funds." Upon passage of that amendment, SB37 also became effective as of January 1, 2013. SB37 amended the Official Code of Georgia Annotated § 50-16-41 by adding subsection (1)(3) which reads in part: "At the beginning of each fiscal year, a budget unit's appropriations shall be encumbered for the estimated payments for any multiyear lease and rental agreements in that fiscal year. The commission [State Properties Commission] shall have the right to terminate, without further obligation, any multiyear lease or rental agreement if the commission determines that adequate funds will not be available for the payment obligation of the commission under the agreement. The commission's determination regarding the availability of funds for its obligations shall be conclusive and binding on all parties to the multiyear lease or rental agreement."

The commission is aware that the exercise of its right to terminate any multiyear lease or rental agreement would have a significant long-term negative impact on the state's credit worthiness, and thus the interest rates it pays on all its debt, including the ratings on its general obligation bonds which currently are rated triple-A by all three of the major credit rating agencies. Accordingly, it is highly unlikely that the commission would exercise its right of termination with respect to this, or any other multiyear lease or rental agreement to which it is a party.

42. What does the termination option do to the real estate commission? *Answer: The termination option does not change the real estate commission, or any other transaction cost.*
43. Will the law suit on the previous process that addressed this requirement impact the current process? *Answer: The law suit is not anticipated to impact the current process.*
44. Under the section Market Conditions and Payment Schedule, the remaining one half of the Real Estate Commission is due no later than December 15, 2013. In a build-to-suit scenario, lenders have strict requirements that must be met before payment of final fees and Commissions. The second half of the Real Estate Commission fee as well as all other fees and retainage would not be paid until issuance of the Certificate of Occupancy ("CO") and Tenant' acceptance of the facility/premises. Can this date be changed from "due December 15, 2013" to "due within thirty (30) days of the issuance of the CO and Tenant's acceptance of the facility/premises"? *Answer: The second half of the commission can be paid within 30 days of occupancy – refer to # 18*
45. We would like clarification on the items to be included in the calculation of Real Estate Commissions. Do you want us to include an amount for all operating expenses including Electricity, other allowances and concessions, before calculating the Real Estate Commission? *Answer: The RFP requested a gross or modified gross (excluding utilities and janitorial) lease rate. The commission will be based on the type of lease rate proposed.*
46. If we are willing to include the \$2.7 million dollar buy out of the existing lease in our overall cost, will this 2.7 million dollars be included in the Real Estate Commission calculation? Or, should we treat the \$2.7 as a special fee/tenant incentive, which the market standard would remove, net from the gross rental, before the application of the 4% commission rate? *Answer: The \$2.7 million can be subtracted prior to the calculation of the real estate commission.*
47. The space Program calls for open and closed offices. Is it correct to assume that the open offices will be office systems furniture? *Answer: Yes.* And, should we include all costs and expenses associated with providing the systems furniture in our budget for tenant build out? *Answer: Yes based on the \$20/rsf allowance.* As with number 3 above, would the cost associated with the systems furniture be netted from gross rental before the application of the 4% commission rate? *Answer: Yes.*
48. Since the space requirements for DFCS have changed, can you give us a specification as to what should be included in the 64 s.f. and other office systems furniture? *Answer: N/A Tenant is requesting an allowance.*
49. Will you evaluate the space plan on how well it meets the needs of DFCS, considering that we do not have an opportunity to meet and discuss their needs or is it only to demonstrate that we understand in general what is required in order to generate a realistic construction cost? *Answer: It is for the purpose of demonstrating that you understand in general what is required in order to generate a realistic construction cost. Tenant prefers majority of closed offices to be interior with system furniture on the exterior to maximize natural lighting throughout the space.*
50. In Section 16050 of Exhibit E, the office sizes are not coordinated with the space program. What are the electrical/data requirements of 120 sf enclosed offices, 64 sf enclosed offices (should this be open

offices?) and 48 sf open offices. Are power poles allowed for open offices? Are open office systems prewired? *Answer: 2.4 drops per person (367 employees) (CAT 6). Electrical – see Addendum 1.*

51. The RFP states that we should only use 8 ½ X 11 sheets of paper in the proposal. However, so you can read the floor plans, cite plans and drawings, we would normally use 11X 17 that are folded in half and fit nicely in the binder. All other written materials would be on 8 ½ by 11. Is that acceptable? *Answer: Yes, it is acceptable to have larger paper for drawings and plans.*
52. It has been our experience that DFCS contracted for their own security guards as needed. Will they provide their own security guard services in a facility where they will be the only tenant? *Answer: Yes.*
53. Due to the nature of DFCS, we know that there will be emergency situations where staff will need to access the facility after hours and on weekends. Will this be on an as needed basis or will DFCS have some staff in the facility all the time and utilities will be on 24/7? *Answer: This will be on an as needed basis. There is no anticipation of a need to have the HVAC systems on 24/7, with the exception of the computer server room.*
54. Will the State consider an occupancy date in the early 3rd quarter of 2014 to allow for a Build-to-Suit facility? *Answer: Yes, although it is not preferred.*
55. The RFP includes program information that there will be only one public entrance, with separate employee entrances. The program also require 4 distinct waiting areas of 1,500 sf each. These are quite large for staff only entrances. Please confirm this direction as detailed in the RFP *Answer: See response to question 28.*
56. Our Architect has advised us that the restroom requirement needs to be confirmed. The program as detailed on page 25 of the RFP states that there should be 1 ADA restroom and 3 Non ADA restrooms per waiting area. Our interpretation is that this is one restroom per waiting area with 1 ADA stall/WC and 3 non ADA stalls / WC's. Please Confirm. *Answer: Please refer to Addendum 1.*
- a. Later on page 25 of the RFP the programs calls for 10 ladies restrooms with 4 stalls / WC per restroom and 8 unisex / men's restrooms *SPC answer*
- Our Architect has concluded that the program calls for the following:
- b. 4 Public Restrooms, one at each waiting area, with one ADA WC and 3 Non ADA WC's. Total of 16 WC's
 - c. 10 Ladies Staff Restrooms with 4 WC's each – total of 40 WC's
 - d. 8 Unisex / Men's Restrooms with 1 WC each – total of 8 WC's
 - e. Grand total of 64 WC's – Please confirm *SPC answer*
 - f. Our Architect has advised that code requires 18 WC's for a facility of this size. The cost differential between what is required by code and what is being presented is significant – over \$600,000. In an effort to provide the lowest possible rate, we want to make sure we are providing what is needed, and not excess infrastructure. Please confirm.

Answer: Please refer to the program in Addendum 1.