



State of Rhode Island and Providence Plantations
Council on Postsecondary Education
OFFICE OF THE POSTSECONDARY COMMISSIONER

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Enclosure 2a
May 11, 2016

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TO: Members of the Council on Postsecondary Education

FROM: Jim Purcell, Ed.D, Commissioner for Postsecondary Education

DATE: May 6, 2016

RE: Authorization for the Proposed Lease of Space from Schneider Electric for the College of Engineering during the Development of the new College of Engineering Building.

The University of Rhode Island is preparing to begin the construction of the new College of Engineering which will be financed through the General Obligation Bonds approved by Rhode Island voters in 2014. The University will need to find swing space for the continuation of its programs through the course of that construction period.

The University is planning to use renovated space in Pastore and Morrill Halls on the Kingston Campus to address some of this need. However, significant additional space is needed to house the multiple Engineering College Departments including their teaching, research laboratory, and office functions currently housed in the five buildings that will be demolished to make space for the new facilities.

URI representatives have been involved in conversations with Schneider Electric to provide the remaining space needed to house these programs for the 4-year construction period. Schneider Electric is an international corporation located in West Kingston approximately 1.5 miles from the University's Kingston campus. These conversations have resulted in a plan for the proposed lease of 30,500 square feet of space on the first and second floor levels of their facility. The plan provides for the need to renovate this space to accommodate the College's activities and would be amortized over the course of the proposed 4-year lease.

Dr. Dooley's attached letter details the terms that have been negotiated with Schneider Electric for this lease arrangement. In summary, the rental arrangement would consist of two pieces:

Tenant Improvement Rental payments	\$10.87/sq ft for the 4-year term
Net Operating Rent	\$11.00/sq ft for the 4-year term

The University is estimating that the full annual costs of this space would be \$667,000 for each of the four years.

Funding needed for the provision of swing space will come from University sources and no new money is being approved for this arrangement. The G.O. Bond funds will be used solely for those costs associated with the new building and its equipment and furnishings.

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The costs of alternative swing space located on the campus itself have been explored by University officials. They have determined that swing space on campus would result in additional costs of reconstruction as well as a delay in the beginning of the project by five months. The delay in construction alone would result in an estimated \$1.5M in escalation costs to the overall project.

The University is now asking the Council for its support of the proposed lease of space in the Schneider Electric's West Kingston Building complex, authorizing the Chairman to execute the final form of the Lease, subject to the review and advice of the University's and Council's General Counsel. This lease provides a cost effective solution for the swing space needed during the construction of the New College of Engineering as well as providing an excellent public/private collaboration opportunity with an international firm that has a vested interest in the University's Engineering program.

The University has been working with Schneider Electric since January in a methodical, well considered manner. However, the urgency of this request for Council's approval is to avoid delays that are anticipated by the irregular meeting schedule of the State Properties Committee in the upcoming months. Any delays in this finalizing of this lease will impair the University's ability to prepare the space for occupancy by the College of Engineering for the beginning of the Spring 2017 term.

As with all transactions of this type, the Lease will also be brought to the State Properties Committee for its review and approval.

Accordingly, I recommend:

THAT the Council on Postsecondary Education authorizes the proposed lease of space from Schneider Electric for the College of Engineering during the development of the new College of Engineering Building.

FURTHER, the Council on Postsecondary Education authorizes the Chairman to execute the final form of the Lease subject to the review and advice of General Counsel and subject to review and approval by the State Properties Committee.

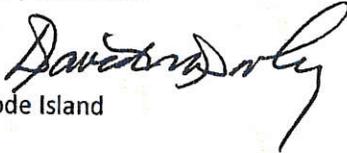
THE
UNIVERSITY
OF RHODE ISLAND
OFFICE OF THE
PRESIDENT

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David M. Dooley, Ph.D.
President



TO: James Purcell
Commissioner, Postsecondary Education

FROM: David M. Dooley, Ph.D. 
President, University of Rhode Island

DATE: May 5, 2016

SUBJECT: **PROPOSED LEASE OF SPACE FROM SCHNEIDER ELECTRIC FOR THE COLLEGE OF ENGINEERING DURING THE DEVELOPMENT OF THE NEW COLLEGE OF ENGINEERING BUILDING**

The University of Rhode Island is underway with the planning and design for the \$125M College of Engineering Building Project that will renovate one and replace five buildings to be demolished to make way for a contemporary structure that will frame the north and west sides of the Engineering Quadrangle when completed in 2019. A critical and time-sensitive enabling project that must be completed for the demolition of the five buildings and foundation work to proceed involves the relocation of multiple Engineering College Departments, their teaching, research laboratory, and office functions, to alternate modestly renovated space for the duration of the major construction project.

The Engineering Building Project plan and budget contains some \$3.0M in funding support for modifications to portions of Pastore and Morrill Halls on the Kingston Campus to accommodate the relocation of Engineering Departments along with other enabling expenses for building demolition and utility systems reconfiguration at the new building site. A design firm dedicated to preparing the so-called "swing space" for the College has conducted studies and space allocation plans that are advancing toward biddable construction documents at this time. Pastore and Morrill Halls will accommodate undergraduate teaching facilities for the College, Chemical Engineering, and Mechanical, Industrial and Systems Engineering office, meeting, and research laboratory facilities.

The timely execution and move into the swing space is especially important to the schedule and budgetary conformance for the construction of the College of Engineering Building and to the success of the College's teaching and research during the next three academic years. The University and the assembled project planning and design, program management, and construction management team are focused on achieving completed moves out of the five buildings slated for demolition by January 2017, consistent with the original project plan.

This schedule would support the commencement of classes in the swing spaces for the spring semester 2017 and fully settle the displaced Engineering Departments into their temporary facilities.

Since January 2016, the University of Rhode Island has been in dialog with representatives of Schneider Electric, an international corporation, managing its presence in over 300 buildings in North America that owns a large industrial office/open-bay building in West Kingston, within 1.5 miles from the University's Kingston Campus. The University was informed, initially by Town Officials in South Kingstown that Schneider Electric had an interest in collaborating with the University and expressly the College of Engineering, given Schneider's business interests in electronic equipment and energy consumption management. Schneider Electric is an important contributor to the local economy in southern Rhode Island.

The firm had been consolidating its occupancy within its expansive building complex in West Kingston freeing up a combination of office, meeting, and open, high-bay industrial space that appeared feasible for adaptation and use by portions of the College of Engineering, serving faculty and staff, upper class undergraduate and graduate students in Electrical, Computer, and Biomedical Engineering as well as Capstone space for Mechanical, Industrial & Systems Engineering. A series of potential lay-outs were developed and evaluated from the perspective of whether a complimentary swing space occupancy plan executed at the Schneider facility could advance simultaneously with the renovation of on-campus space in Pastore and Morrill Halls and achieve the desired January 2017 move-in date.

The plan that resulted from these efforts is a proposed lease of 30,500 square feet of space on the first and second floor levels in the northern end of the Schneider Electric Complex to accommodate the Electrical, Computer & Biomedical Engineering Department, with office, meeting, classroom, and research laboratory spaces. In addition, the flexible high-bay space in the Schneider Building has been laid-out for a workshop, "Maker Space," and student work spaces in support of "Capstone Projects," an integrated part of the Engineering curriculum. These spaces, uniquely achievable in the Schneider Building, could permit the College and its students to gain early experience and familiarity with such spaces that are prominent features in the design of the new Engineering Building.

Enclosed is a lay-out of the proposed space, with its own front entrance, support office, research laboratory, and Biomedical Capstone spaces, the referenced workshop, maker space, and student Capstone space in the high-bay space on the first level. A transition stairway and an accessible one-story accessible lift would connect to a bridged entry into the second level space with a series of research and academic laboratories, and classrooms surrounded by faculty offices and graduate student cubicles. The second level also has dedicated stairway access to a 200 car parking area behind the complex. Together, these spaces would support occupancy by the Electrical, Computer & Biomedical Engineering Department and the maker and Capstone facilities for multiple Engineering programs.

The business terms that have informed the draft Lease being finalized at this time include the following features:

- A short-term lease of approximately 30,500 square feet of space on two levels in the Schneider Building not to exceed a term of four years
- Schneider to perform repair work at their expense to ensure full integrity and function of existing building systems and to provide a secure perimeter and access control system for the leased space
- The engagement by Schneider of a design/build construction firm to perform limited building modifications and improvements to support the University planned occupancy, estimated at \$1.2M, with an agreement to amortize the expense at 5.0% interest over the four year period beginning with the date of the receipt of a certificate of occupancy for the improvements
- Upon occupancy the University would commence monthly Tenant Improvement Rent payments estimated at \$10.87 per square foot per year over the four-year maximum four-year term of the Lease
- Upon occupancy, the University would commence paying monthly Net Operating Rent equivalent to \$11 per square foot year (discounted from a \$16/square foot/year market rent), which would cover Schneider's present per square foot building operations expenses applied to the University's occupied space for custodial, maintenance and recycling/waste removal, heating and cooling, electricity, water and wastewater, property taxes, and insurance (Metering of selective sites with a potential higher than average electrical consumption is permitted at Landlord's election, with possible additional cost to Tenant)
- In the event that the University completes construction of the new Engineering Building and can vacate the space on or after the completion of the third year of the Lease term, it may do so and will cease to pay monthly Net Operating Rent, unless a compatible University Tenant would occupy for the balance of the four-year maximum term
- Schneider has offered the use of some office and meeting space furniture freed-up by their consolidation moves for University use
- The University will be required to provide the balance of its furnishings and equipment, its information technology system, and audio visual equipment installations
- The University faculty, staff, and students will have access, during normal business hours, to dining facilities and on an as-available basis a technology equipped, banked auditorium facility within Schneider's space within the Building
- Parking facilities behind the building and handicapped accessible parking and visitor spaces near the Tenant's front entrance will be provided, with maintenance and snow clearing
- A shuttle bus drop-off will be permitted at the front of entrance to the University's space

Enclosed is a display that identifies the University's anticipated funding commitments to this short-term Lease by the University. Tenant Improvement Rent is estimated at \$331,500 per year over four years and the Net Operating Rent is estimated at \$335,500 for a total Lease payment commitment of \$667,000 annually. If the Net Operating Rent were curtailed at the beginning of the fourth year under the Lease only Tenant Improvement Rent would be required. A full, four-year occupancy under the Lease would result in payments to Schneider totaling \$2,668,000, based upon the current estimates for Tenant Improvements. If the occupancy is no longer required at the end of the third year of the Lease, those payments would reduce to a total of \$2,332,500 through the end of the fourth year under the Lease based upon current estimates.

Other expenses incurred in conjunction with this Lease would include the provision of shuttle transit services on a half-hour frequency schedule during the Academic Year, estimated at \$100K per year. The services of the University's contracted swing space architectural firm and program management firm and moving expenses pertaining to the Schneider swing space occupancy would derive from one-time Engineering Project funding along with any furnishings or equipment that would be employed in the Schneider space and later brought into the new College of Engineering Building.

The University has reviewed alternative swing space arrangements that would attempt to accommodate all of the displaced Engineering College programs and research activity on the Kingston Campus. The result is tighter and less efficient occupancy in Morrill and Pastore Halls and the need to incorporate unfinished space undergoing code related construction work in an adjacent academic building. The attempt to incorporate that space at this time would increase investment costs and would necessarily shift the schedule for the readiness of swing space for the Engineering programs out by five months, an impact that would cause an estimated \$1,500,000 in escalation costs to the Engineering Building Project overall.

The University seeks the Council's support of the proposed Lease of space in Schneider Electric's West Kingston building complex, authorizing the Chairperson to execute the final form of the Lease, subject to the review and advise of the University's and Council's Counsel. The Lease capitalizes on a private/public collaboration opportunity to simultaneously advance our required swing space improvements toward a January 2017 start date for the on-site Engineering Building Project construction. It creates spaces important to the College of Engineering's model for academic achievement in problem solving for area business and industry that are not presently achievable in available spaces on Campus, and it presents a better complement of accommodations for the College of Engineering in its period of transition to its new building in the heart of the Kingston Campus in 2019.

cc: Susan LaPanne
David Johnson
Donald DeHayes
Raymond Wright
Christina L. Valentino
Louis J. Saccoccio
J. Vernon Wyman

Enclosures

UNIVERSITY OF RHODE ISLAND
COLLEGE OF ENGINEERING TEMPORARY SPACE

May 11, 2016

Schneider (30.5k sf) / Pastore / Morrill

Term: 4 years

Leased Space: 30,500 square feet on two floors

Base Rent plus Operating Rent:

Market Rent with Operating estimate by Schneider	\$16/square foot
Proposed Rent Discount	(\$5/square foot)
Proposed Net Operating Rent	\$11/square foot

Tenant Improvement Rent:

Cost of Tenant Improvements amortized	5.0% Interest
Tenant Improvement Estimate by URI	\$ 1,200,000

Proposed Net Operating Rent Expense:

Annual	\$ 335,500*
Over Four-year Term	\$ 1,342,000*

Tenant Improvement Rent Expense

TI Cost Annual	\$ 331,500
Over Four-year Term	\$ 1,326,000

Four-year Expense Commitment:

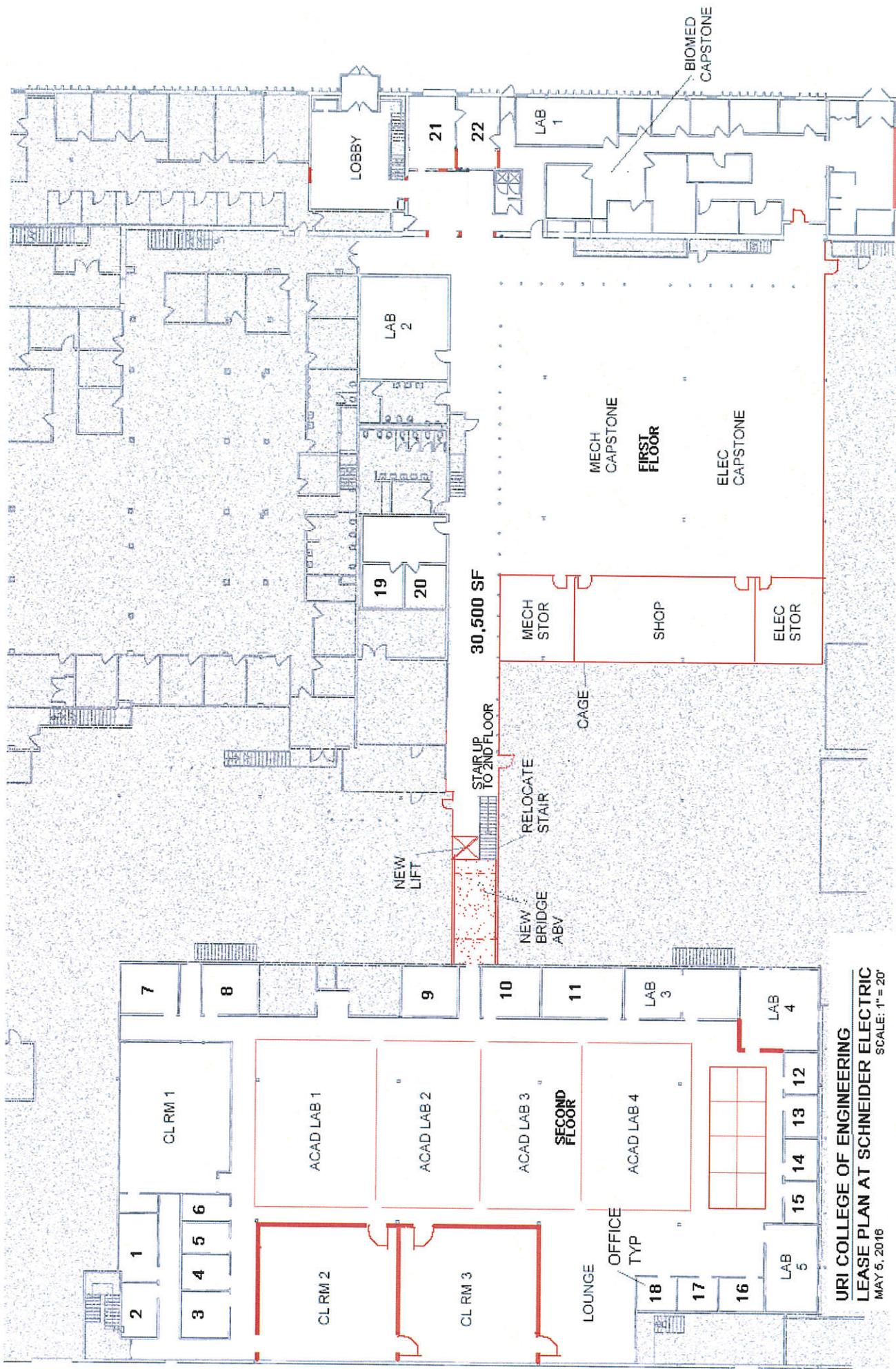
	Annual	Four-year
TI plus Operating Rent Annual	\$ 667,000	\$ 2,668,000**
Total Expense with Additional Costs		\$ 3,568,000

****Additional Costs:**

Shuttle Service (Half hour frequency per Academic Year) \$100,000 (annually)

URI Design and PM, FF&E, AV and IT, Moving \$500,000 (one time)

*If deemed necessary, add metered excess electrical consumption



URI COLLEGE OF ENGINEERING
 LEASE PLAN AT SCHNEIDER ELECTRIC
 SCALE: 1" = 20'
 MAY 6, 2016