

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES
*ACTION ITEM***

Office of the Chancellor Location Planning

BACKGROUND

This report is an update of information presented to the Board in July and October 2004.

The Office of the Chancellor currently leases office space at two locations in St. Paul: Wells Fargo Place (WFP) in the downtown business core and the Energy Technology Center (ETC) in the Midway area. With the lease term at ETC coming to an end in July 2005, it is necessary to examine whether to extend that particular lease or seek another location. Coincidentally, with the leasing market presenting good opportunities in the St. Paul area, it is a good time to look at all options, including the possibility of acquiring a permanent home for the Office of the Chancellor in other than leased space.

Approximately 150 employees are housed at Wells Fargo Place, on floors 4, 5, 6 and 7 representing 51,000 square feet of space in a Class A building. The initial 10-year lease for floors 5, 6 and 7 began in 1997 and runs to October 2007. The leasehold was expanded over the last several years to include the fourth floor office and conference area, plus permanent build-out for the Board of Trustees' meeting room. Gross rent (including taxes, utilities and other building services) is currently \$1.13 million per year.

Space at the Energy Technology Center has been under lease since 1998. This space was obtained to consolidate several Office of the Chancellor functions that had been scattered around the Twin Cities since merger. Approximately 150 employees are housed at ETC on two-thirds of the third floor and a portion of the first floor. Approximately 45,000 square feet is leased in this Class C+ building. Gross rent (including taxes, utilities and other building services) is currently \$835,000 per year, for a total of \$1,965,000 for the two facilities.

The Vice Chancellor – Chief Financial Officer, on behalf of the Office of the Chancellor, engaged the real estate advisory firm of Nelson, Tietz and Hoye to analyze alternatives, contact landlords for lease proposals and assist in formulating final recommendations to the Chancellor for presentation to the Board of Trustees. Following are the options under final evaluation:

1. Consolidate all office space requirements at Wells Fargo Place;
2. Renew some or all space at Wells Fargo Place and maintain a second location for campus service functions either at ETC or in a new location;
3. Consolidate all activities in a new leased space, near but not necessarily in downtown.

Construction of a new or acquisition of an existing building has been tabled for the time being. Leasing for several more years is both economical in today's leasing market and practical for the current office operation. It is envisioned that planning for the eventual home of the Office of the Chancellor in a suitable building will take place during this next leasing term.

A final recommendation will be presented to the Chancellor and the Board in January, when Board approval will be sought to enter into an anticipated 10-year contract (or contracts) valued at approximately \$20 million (including taxes, utilities, and building services). In addition, capital costs up to approximately \$2 million are anticipated. It is not expected that any occupancy changes would occur prior to next summer at the earliest.

RECOMMENDED COMMITTEE ACTION:

Recommended motion will be distributed at the meeting.

RECOMMENDED MOTION:

Recommended motion will be distributed at the meeting.