



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUDGET OFFICE  
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Providence, R.I. 02908-5886

Memorandum

**To:** The Honorable Raymond E. Gallison, Jr.  
Chairman, House Finance Committee

The Honorable Daniel DaPonte  
Chairman, Senate Finance Committee

**From:** Thomas A. Mullaney *Thomas A. Mullaney*  
Executive Director/State Budget Officer

**Date:** May 22, 2014

**Subject:** Amendments to the FY 2015 Appropriations Act (13-H-7133)

The Governor requests that the attached new Article – Relating to the Nursing Education Center be included in the FY 2015 Appropriations Act.

This article is a resolution in accordance with the Debt Management Act to authorize the Board of Education and the Department of Administration to enter into a multi-year lease with the development of the South Street Landing property in Providence for use as a Nursing Education Center by the University of Rhode Island and Rhode Island College.

The lease will run for an initial term of 15 years from the date the two schools take possession of their sections of the building. It is anticipated that occupancy will occur in July, 2016 to allow URI and RIC time to fully outfit the building with equipment and furnishings for the academic term beginning in September, 2016.

The lease requires the Board of Education to pay: (1) Base Rent of \$1,855,000 annually during the first five (5) years of the lease, increasing in years six (6) through ten (10) and again in years eleven (11) through fifteen (15); (2) Tenant Improvement Rent estimated at \$2,491,000 annually based on actual construction costs; and (3) Operating Expense Rent for building operating, maintenance and utility costs estimated at \$1,689,000 in the first year following occupancy, to be adjusted annually based on actual costs. The State will be responsible for paying the Base Rent and the Tenant Improvement Rent, while the Board of Education will apportion the Operating Expense Rent between the University and the College.

The resolution also requests approval to fund the Tenant Improvements directly by the Board of Education if it is determined to be financially beneficial to do so. Authority for the issuance of no more than \$25.5 million over a fifteen (15) year term is also requested.

In addition, this resolution also requests authorization for the issuance of \$10.5 million in certificates of participation over a ten (10) year term to support the acquisition of equipment needed to outfit the planned simulation labs.

If you have any questions regarding this amendment, please feel free to call me or my staff at 222-6300.

TAM:14-Amend-NEC  
Attachments

cc: Sharon Reynolds Ferland, House Fiscal Advisor  
Stephen Whitney, Senate Fiscal Advisor  
Steve Hartford, Director of Policy  
Richard Licht, Director of Administration  
Peter Marino, Director, Office of Management and Budget  
Gregory Stack, Supervising Budget Analyst

**NEW ARTICLE**

**RELATING TO NURSING EDUCATION CENTER LEASE AUTHORIZATION AND DEBT  
MANAGEMENT ACT JOINT RESOLUTIONS**

SECTION 1. This article consists of Joint Resolutions that are submitted pursuant to Rhode Island General Laws Chapters 37-6 and 35-18 authorizing the lease of space in the South Street Power Station Building; the financing of Tenant Improvements in the South Street Power Station Building for the Nursing Education Center as described in the Proposed Lease Agreement; and the financing of equipment, fixtures, and furnishings for the Nursing Education Center in the South Street Power Station Building.

SECTION 2. *Nursing Education Center for the University of Rhode Island College of Nursing and the Rhode Island College School of Nursing in the South Street Power Station Building (also referred to within as South Street Landing).*

WHEREAS, the University of Rhode Island (the “University”) and Rhode Island College (the “College”) offer undergraduate, graduate, and certificate academic programs in Nursing through the University’s College of Nursing and the College’s School of Nursing with teaching, research, and outreach that benefits students seeking exceptional education and training in the nursing profession, as well as Rhode Island medical institutions and patient care settings where nurses practice; and

WHEREAS, the Board of Governors for Higher Education supported a Nursing Education Center, to be shared by the University and the College, in the Board’s Capital Improvement Program in FY 2010; and

WHEREAS, the Rhode Island General Assembly requested in June 2010 that a feasibility study be performed to define the objectives of the project and to refine both the space requirements, specific sites, and comparative development methods for the project, resulting in the completion of the “Feasibility Study for a Rhode Island Nursing Education Center” in May 2011; and

WHEREAS, in that study, the University and the College examined both the Nursing program needs to educate and train an increasing number of nurses to fulfill the future workforce needs of the State and the conceptual design of a shared facility, including the availability of technology rich, simulation-based instructional settings, preferably offering a “Smart Hospital” configuration, for upper class undergraduate and graduate nursing education in the former Jewelry District in downtown Providence, Rhode Island. This would meet those needs as an alternative to two independent projects to renovate and expand existing buildings for the University’s College of Nursing and the College’s School of Nursing, proposed by both programs independently in FY 2010 on their respective main campuses in Kingston, Rhode Island and in Providence, Rhode Island; and

WHEREAS, the location within the former Jewelry District was well supported for its opportunities for collaboration and economic growth with proximity to the State’s major medical and hospital facilities, higher education institutions, access to multiple transportation modes, and the State’s and the City of Providence’s desire to see development and business activity expand in the area; and

WHEREAS, during the 2013 General Assembly Session, an opportunity emerged for the realization of the Nursing Education Center in a co-tenancy with Brown University as part of a private developer lease project, led by Commonwealth Ventures of Boston, Massachusetts, for the former South Street Power Station Building in the core of the former Jewelry District. Non-binding resolutions were issued individually by the House and the Senate during the 2013 Legislative Session, encouraging and supporting the efforts of the Board of Education and the Department of Administration to locate a Nursing Education Center at the South Street Power Station Building in Providence; and

WHEREAS, the University, the College, and the Board of Education, together with the Department of Administration, have worked as a collective team in the evaluation of the

planning, design, and structure of the developer's project, and in negotiation of the financial and legal terms of the Lease Agreement; and

WHEREAS, the team, utilizing five hundred thousand dollars (\$500,000) in Rhode Island Capital Plan Fund financing, dedicated for professional services support to the Nursing Education Center in the budget for FY 2014, has been supported by legal counsel, an owners' agent project manager, and specialized consultants; and

WHEREAS, the team and its consultants have conducted its planning, design and negotiating in consultation with Brown University; and

WHEREAS, at a meeting duly noticed on March 11, 2014, the State Properties Committee provided approval to negotiate a lease for the Nursing Education Center at the former South Street Power Station Building; and

WHEREAS, the Department of Administration has proposed a Lease (the "Proposed Lease Agreement"), with a term of fifteen (15) years, with an option to extend the lease for a period not to exceed two (2) years, for approximately one hundred thirty two thousand four hundred forty nine (132,449) square feet of space on the first, second, and a portion of the third floor of the planned renovated and expanded former South Street Power Station Building for the Nursing Education Center. The term of the Lease Agreement is anticipated to begin on July 1, 2016; and

WHEREAS, the Proposed Lease Agreement would require the Board of Education to pay: (1) Base Rent for the proportionate share of the core building design, renovation and construction expenses of fourteen dollars (\$14.00) per square foot, or one million eight hundred fifty five thousand dollars (\$1,855,000) annually during the first five (5) years of the lease term; (2) Tenant Improvement Rent for the anticipated cost of developer financing, design, and construction of the Nursing Education Center space, presently estimated at eighteen dollars and eighty one cents (\$18.81) per square foot per year, or an average of two million four hundred ninety one thousand dollars (\$2,491,000) annually for each year of the lease term, the exact

amount to be determined in accordance with a formula in the Lease Agreement; and (3) Additional Rent for the proportionate share of the actual building operating, maintenance, and metered utility expenses, estimated at twelve dollars and seventy five cents (\$12.75) per square foot, or one million six hundred eighty nine thousand dollars (\$1,689,000) for the first year following the commencement of occupancy; and

WHEREAS, the Base Rent under the Proposed Lease Agreement would increase to fifteen dollars and twelve cents (\$15.12) per square foot in years six (6) through ten (10), sixteen dollars and thirty-three cents (\$16.33) per square foot for years eleven (11) through fifteen (15), and seventeen dollars and fifteen cents (\$17.15) during the Option Period. During the Option Period, the Tenant Improvement Rent would be reduced to zero dollars (\$0.00). The Operating Expense Rent and metered utilities would be adjusted annually, based on a reconciliation of estimated costs and actual costs; and

WHEREAS, the Proposed Lease Agreement provides that, during lease year six (6) and after the end of lease year twelve (12), the Board of Education would have an option to purchase, as a condominium unit, that portion of the building leased for the Nursing Education Center, exercise of such option and the financing thereof subject to General Assembly approval; and

WHEREAS, the State shall be responsible for paying the Base Rent and the Tenant Improvement Rent, and the Board of Education shall fairly apportion the Additional Rent between the University and the College; and

WHEREAS, the Proposed Lease Agreement provides that no rent is payable until: (1) the renovation and construction of the South Street Landing Project is completed; (2) the developer has secured a certificate of occupancy for the Building, including specifically the Nursing Education Center space; and (3) the Nursing Education Center space is determined to be completed according to the project specifications and terms of the Proposed Lease Agreement; now, therefore, be it

RESOLVED, that this General Assembly hereby approves the Proposed Lease Agreement for the Nursing Education Center for the space in the former South Street Power Station Building for a term not to exceed seventeen (17) years and at a total cost not to exceed thirty four million six hundred forty-one thousand dollars (\$34,641,000) for the Base Rent; and an amount not to exceed twenty-five million dollars (\$25,000,000), plus the applicable interest and financing costs for the Tenant Improvement Rent; and Additional Rent for the proportionate share of operating and maintenance expenses and metered utilities; and be it further

RESOLVED, that this Joint Resolution shall take effect upon passage by the General Assembly; and be it further

RESOLVED, that the Secretary of State is hereby authorized and directed to transmit duly certified copies of this resolution to the Governor, the Chair of the Board of Education, the Director of Administration, the State Budget Officer, and the Chair of the State Properties Committee.

*SECTION 3. Public Finance Debt Management Act Authorization for Alternative Direct State Financing of the Cost of the Tenant Improvements for the Nursing Education Center as an Alternative and Substitution for the Developer Financing Offered as part of the Lease Agreement.*

WHEREAS, the Department of Administration's Proposed Lease Agreement grants to the Board of Education the right to finance the Tenant Improvements itself, without availing itself of the provision of developer financing as contemplated in the Proposed Lease Agreement, if such an alternative method is determined to be advantageous and in the best interest of Board of Education and the State; and

WHEREAS, the exercise of the Board of Education's option to finance the Tenant Improvements will thereby eliminate Tenant Improvement Rent (encompassing construction and design costs) during the term of the Proposed Lease Agreement, provided that the proceeds of such financing are available to the developer no earlier than the rent commencement date in the Proposed Lease Agreement which is when the renovation and construction of the South Street

Landing Project is completed and the developer has secured a certificate of occupancy for the Building, including specifically the Nursing Education Center space, and the Nursing Education Center space is determined to be completed according to the project specifications and terms of the Proposed Lease Agreement and no later than six (6) months thereafter; and

WHEREAS, the alternative Tenant Improvement project costs to be financed for the Nursing Education Center are anticipated not to exceed twenty-five million dollars (\$25,000,000), plus costs associated with the issuance of such financing; and

WHEREAS, the term of such financing would not exceed fifteen (15) years, with provisions made in the structure of the financing to permit early payment of the outstanding amount of such financing, if the option to purchase in the Proposed Lease Agreement is approved and executed during either of the two (2) time periods when such an option is exercisable under the Lease Agreement; and

WHEREAS, because of the use of Federal Historic Preservation Tax Credits applicable to the Tenant Improvement work for the Nursing Education Center, taxable rate financing must be employed at a rate not expected to exceed eight percent (8.0%); and

WHEREAS, the resulting annual debt service associated with the state financing of the Nursing Education Center is expected not to exceed three million eight hundred three thousand dollars (\$3,803,000) annually and forty eight million two hundred four thousand dollars (\$48,204,000) for the duration of an up to fifteen (15) year term; now, therefore, be it

RESOLVED, that the General Assembly hereby approves alternative financing not to exceed twenty-five million five hundred thousand dollars (\$25,500,000), including twenty-five million dollars (\$25,000,000) for the estimated Tenant Improvement Project Costs and five hundred thousand dollars (\$500,000) for the estimated cost of financing; and be it further

RESOLVED, that this Joint Resolution shall take effect immediately upon its passage by the General Assembly and shall be limited to debt issued prior to January 1, 2018.



SECTION 4. *Public Finance Debt Management Act Authorization for the lease/purchase of Equipment, Fixtures and Furnishings Associated with the occupancy and conduct of Nursing Education Programs by the University and the College in the Nursing Education Center spaces in the South Street Landing Project.*

WHEREAS, the University's College of Nursing and the College's Nursing School, and personnel from both institutions who support networking and instructional technology have worked closely with the developer's architectural team on the complement and configuration of the instructional, simulation, and practice lab configuration of spaces through the schematic design phase of the Nursing Education Center facilities, with the objective of achieving a technology rich, realistic, high-caliber learning and training experience for nursing undergraduate students, graduate students, and those practicing nurses seeking higher levels of certification and training; and

WHEREAS, the manner in which the facilities are furnished and equipped is an extremely important aspect of assuring that the completed and occupied Nursing Education Center exceeds the educational and training expectations of students and faculty when it opens and into the future with opportunities for expanded use by other higher education institutions, hospitals, and medical institutions for medical students, pharmacy students, physician assistant students, medical technician trainees, as well as nurses in a simulated "Smart Hospital" physician offices, and home care settings; and

WHEREAS, the initial and continuing success of a teaching and learning center such as this is highly dependent upon the quality and sophistication of the equipment, including computerized mannequins, interactive audio/visual, realistic hospital beds with support systems, and video recording systems to enable post training review and critique of experiential learning experiences; fixtures; and furnishings that are acquired and deployed to outfit both the formal teaching and simulation facilities, as well as the traditional classrooms, gathering, meeting and faculty office spaces; and

WHEREAS, architects and consultants on the developer's design team focusing on the Nursing Education Center have provided a detailed inventory and pricing analysis of the equipment, fixtures, and furnishings, on a room-by-room basis, recommended to meet the objectives of the shared Nursing Education Center; and

WHEREAS, the investment in technology, equipment, fixtures and furnishings is projected to cost ten million fifty thousand dollars (\$10,050,000) and the intent is to secure lease/purchase financing through the issuance of certificates of participation in order to spread the cost of that investment over ten (10) fiscal years, at an anticipated non-taxable interest rate estimated not to exceed seven percent (7.0%); and

WHEREAS, the resulting annual debt service associated with the state financing of the technology, equipment, fixtures and furnishing is expected not to exceed one million four hundred ninety-seven thousand dollars (\$1,497,000) annually and fourteen million nine hundred fifty thousand dollars (\$14,950,000) for the duration of the term of financing; now, therefore, be it

RESOLVED, that the General Assembly hereby approves lease/purchase financing not to exceed ten million five hundred thousand dollars (\$10,500,000), including ten million fifty thousand dollars (\$10,050,000) for the estimated cost of technology, equipment, fixtures and furnishings and four hundred fifty thousand dollars (\$450,000) for the estimated cost of financing; and be it further

RESOLVED, that this Joint Resolution shall take effect immediately upon its passage by the General Assembly and shall be limited to debt issued prior to January 1, 2018.

SECTION 5. This article shall take effect upon passage.