



UTAH SYSTEM OF
HIGHER EDUCATION

TAB C

Utah Board of Higher Education Building Update



Richard V. Lainez
Building Manager
Civil Engineer, FMP

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Section 1. Introduction

1.1 Purpose and Scope

The purpose of this white paper is to provide Utah Board of Higher Education members and key decision-makers with a summary of the Board Building, including current and future capabilities. This document summarizes information from a variety of sources. This paper shows where we are today and where we are planning to go.

Section 2. Building Overview

2.1 Introduction

This section presents a summary profile of the Board Building and its environs. It also describes the organizations housed in the building.

2.2 Vicinity Profile

2.2.1 Geographic Location

As shown in Figures 2.01 and 2.02, the Board Building is located at 60 South 400 West as part of the 25-acre Gateway Complex, Block B, in downtown Salt Lake City, Utah. The building consists of 81,794 BOMA rentable square feet in a ten-story building constructed circa 2002 with a classic theme, including a stone base and articulated façade, which is reminiscent of early Salt Lake architecture. The building includes five levels of office suites and five levels of underground parking with 240 assigned stalls.

Fig. 2.01 Gateway Office Tower #2: The State Board Building

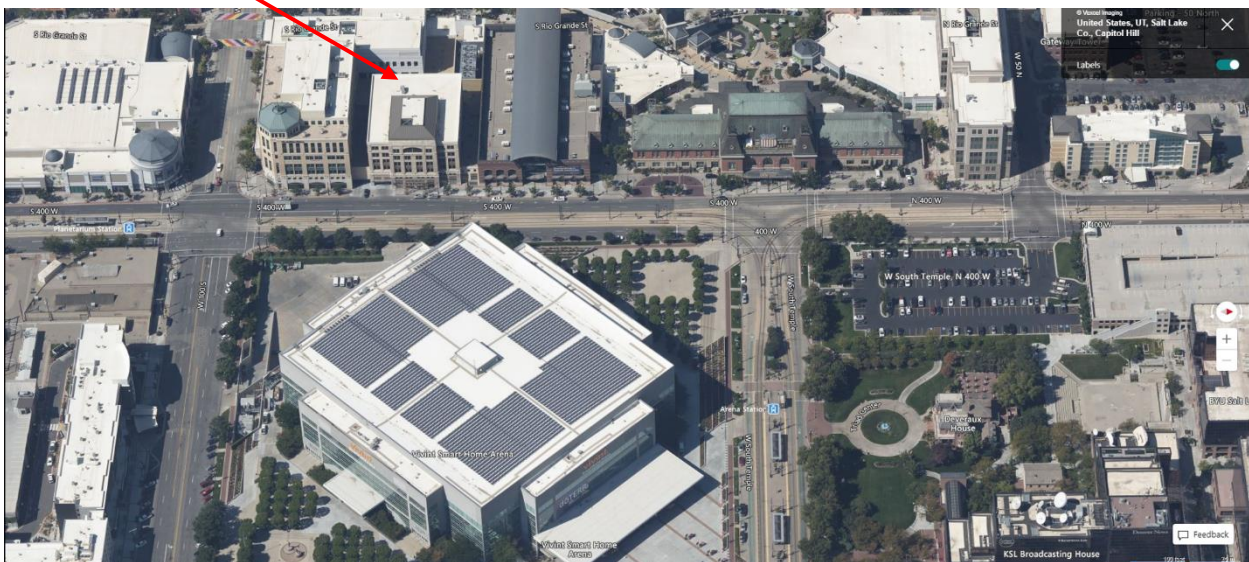
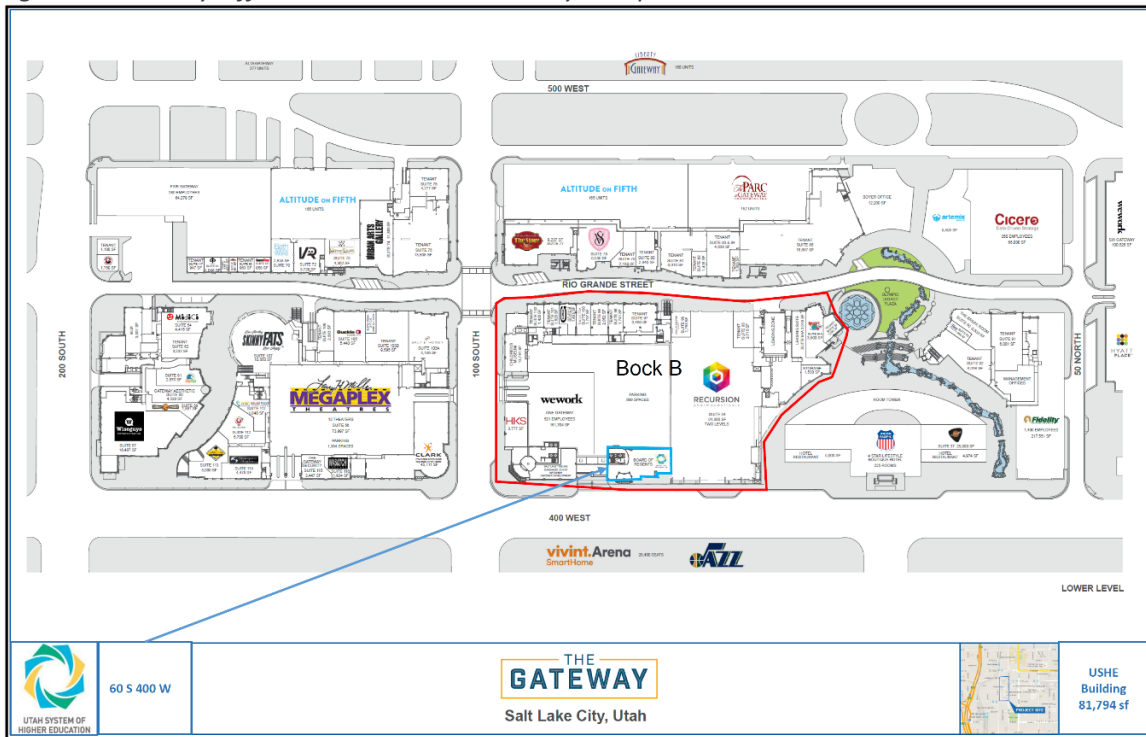


Fig. 2.02 Gateway Office Tower #2: The Gateway Complex



2.3 Building History & Description

2.3.1 Building History

Since the creation of the Board of Regents in 1969, the Regents sought a permanent home for their administrative functions, which included the Office of the Commissioner of Higher Education (OCHE), the Utah Higher Education Assistance Authority (UHEAA), and my529.

On October 18, 2001, the then commissioner of higher education, Cecilia H. Foxley, requested authorization from the Board of Regents to purchase the top three floors (3rd, 4th & 5th) of the building (Gateway Office 2), totaling 52,566 BOMA rentable square feet.

The actual purchase took place on December 20, 2001, for \$8,000,000 with Gateway Associates, LTD. The \$8,000,000 included a tenant-improvement allowance of \$2,142,171 with the condominium project builder, The Boyer Company, to complete the finish of the offices and provide 189 designated irrevocable “right to rent” parking stalls in the north garage.

The initial purchase agreement of the top three floors included the option to purchase the remaining floors. The remaining floors (29,228 BOMA rentable square feet), were purchased on June 03, 2004, for \$3,605,260 and included a tenant-improvement allowance of \$246,204.

The purchase of the building automatically made USHE a member of the Condominium Association and, as a member, there are several conditions and obligations to comply, such as common areas maintenance and water, sewer, and trash removal. Separate agreements were signed with Gateway Associates, LTD for central plant service, shared maintenance of the courtyard (patio) and parking licenses.

2.3.2 Building Appraisal

The building’s insurable value in Jan. 2022 was \$24,983,000.00. In 2022, UHEAA opened a fully funded trust to pay the remaining building bond debt by 2024.

CBIZ VALUATION GROUP, LLC

Building Summary Report

Utah System of Higher Education

	Year Built	ISO Class	# of Stories	Square Footage	Building Insurable Value	
Site Number: 001						
Site Name: Gateway Building Tower 2						
BUILDING # 9437	Gateway Building Tower 2 60 South 400 West Salt Lake City, UT 84101	2002	5	6	81,794	\$24,983,000
Totals for Gateway Building Tower 2 - 1 Appraisal					\$24,983,000	
Totals for 001 - 1 Appraisal					\$24,983,000	
Grand Totals - 1 Appraisal					\$24,983,000	

2.3.3 Building Condition Assessment & Reserve Fund

In Aug. 2019, a Facility Condition Assessment (FCA) was completed. The report provides a comprehensive assessment of the building conditions and an expenditure forecast of the yearly anticipated expenditures over a study period of 10 years (2019-2028). The anticipated expenditures over the study period are approximately \$5,390,236.

In Jan. 2022, OCHE took over the management and administration of the building reserve fund, operations, and maintenance expenditures. The reserve will be fully funded in FY2023. This will allow a reduction in reserve contribution by half or more.

The current building operating cost (utilities, maintenance, insurance, reserve, security, custodial service, supplies, property management, heating and cooling) for FY2023 is \$920,000 (rounded up to the nearest \$10K), \$12.90/sq. ft. The total parking cost for FY2023 is \$262,526 for 240 parking stalls, \$91.16/stall/month.

Currently, OCHE occupies a portion of the 5th floor, part of the 2nd floor, and part of P+3 (mezzanine floor). my529 occupies a portion of the 5th and most of the 2nd floor. UHEAA occupied two floors (3rd & 4th). After the downsizing, UHEAA occupies a small portion of the 4th floor, and the 3rd floor is vacant.

2.3.4 Property Analysis

In March 2022, Jones Lang LaSalle LP, Inc. (JLL) did a property analysis of lease vs. sale scenarios.

PROPERTY ANALYSIS GATEWAY TWO | 60 S 400 W

81,794 SF
Total Building RSF

5
Stories

17,780 SF
Typical Floor Size

240 stalls
Garage Parking

2001
Year Built

BUILDING HIGHLIGHTS

Well located in desirable office submarket

Mixed-use environment with onsite dining,
shopping and entertainment

Located on a Trax stop

Direct access to Gateway's tenant lounge

Fitness center and large conference facilities

9 Real Estate Advisory Services



PROPERTY ANALYSIS LEASE SCENARIO



STRENGTHS

- ▶ **DESIRABLE LOCATION WITH IMMEDIATE TRAX ACCESS**
- ▶ **ONSITE AMENITIES** (TENANT LOUNGE & FITNESS FACILITY)
- ▶ **COVERED, DIRECT ACCESS TO PARKING**
- ▶ **UNIQUE OFFERING TO MARKET**

CHALLENGES

- ▶ **LOW VELOCITY** post-covid, downtown SLC is recovering more slowly than suburban submarkets
- ▶ **ONSITE COMPETITION** significant vacancies at other Gateway properties

RECOMMENDATIONS

01
\$30/SF FULL SERVICE
Asking lease rate

02
Up to \$40/SF
(5 YEAR DEAL)
Tenant improvement allowance based on tenant credit and lease term. The property shows well and it's likely a tenant won't require the full allowance.

03
SIGNAGE
Consider offering building signage for multi-floor tenant

04
SHARED SPACES
Consider offering shared use of 1st floor conference facilities via sign up system
Consider offering Parking

PROPERTY ANALYSIS SALE SCENARIO



STRENGTHS

- ▶ **DEMAND** users are taking advantage of low interest rates to purchase
- ▶ **LITTLE COMPETITION** low inventory
- ▶ **SEPARATE PARCELS** allows flexibility in selling floor by floor

CHALLENGES

- ▶ **HOA** HOA would need to be created to cover building expenses & maintenance
- ▶ **INTEREST RATE UNCERTAINTY** rising rates could impact interest

RECOMMENDATIONS

01
\$350-375/SF
Asking price

02
AS-IS
No improvements needed for a sale

03
SIGNAGE
Consider monument or building eyebrow signage for multi-floor buyers

2.3.5 The Way Forward

The recommendation of the Building Planning Committee is to consolidate OCHE on the 5th floor, my529 on the 4th floor, UHEAA on the mezzanine floor (P+3) and lease the vacant floors (3rd and 2nd floors).

In May 2022, EDA Architectural Firm was hired to do the space planning to test fits for the consolidation of OCHE on the 5th floor and my529 on the 4th floor. In September 2022, EDA will start phase two design development and construction documents.

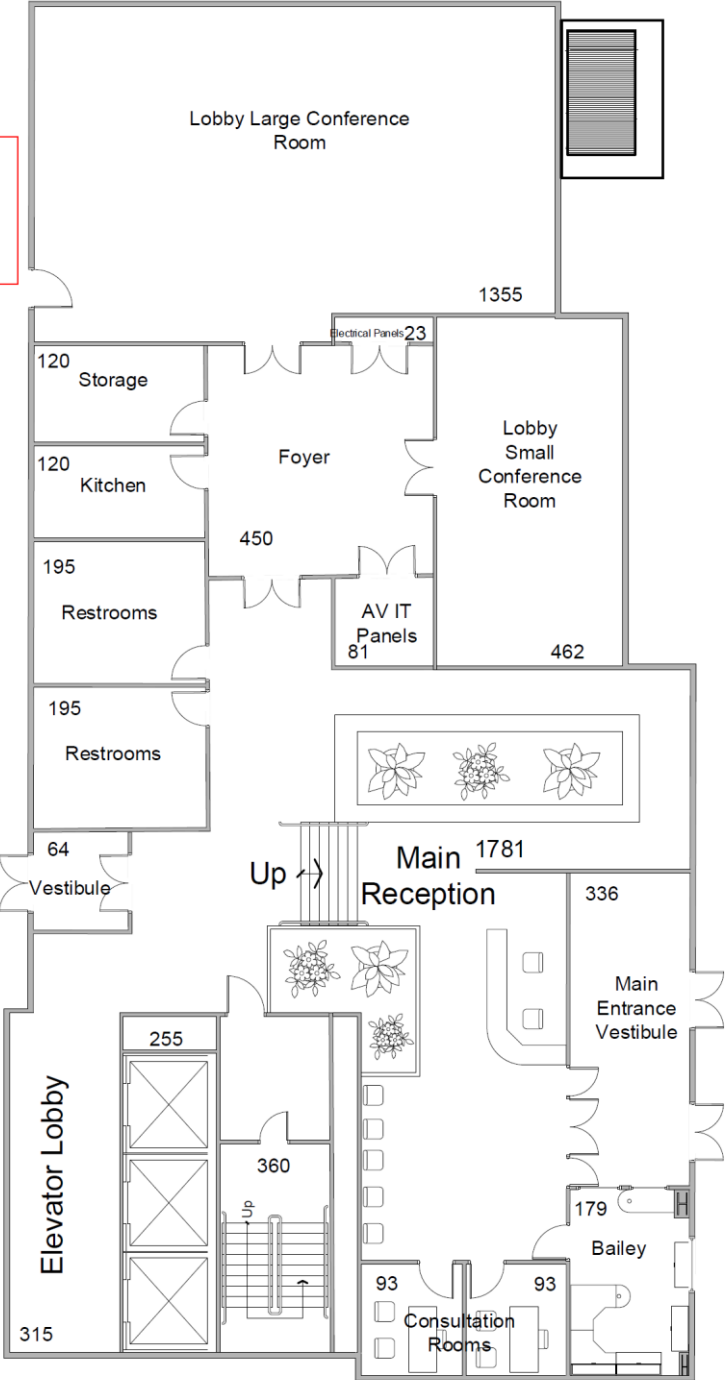
Once the construction documents are completed, the plan is to request cost proposals and present a financial statement to the Board for approval.

Section 3. Floor Plans

3.1 Lobby Level

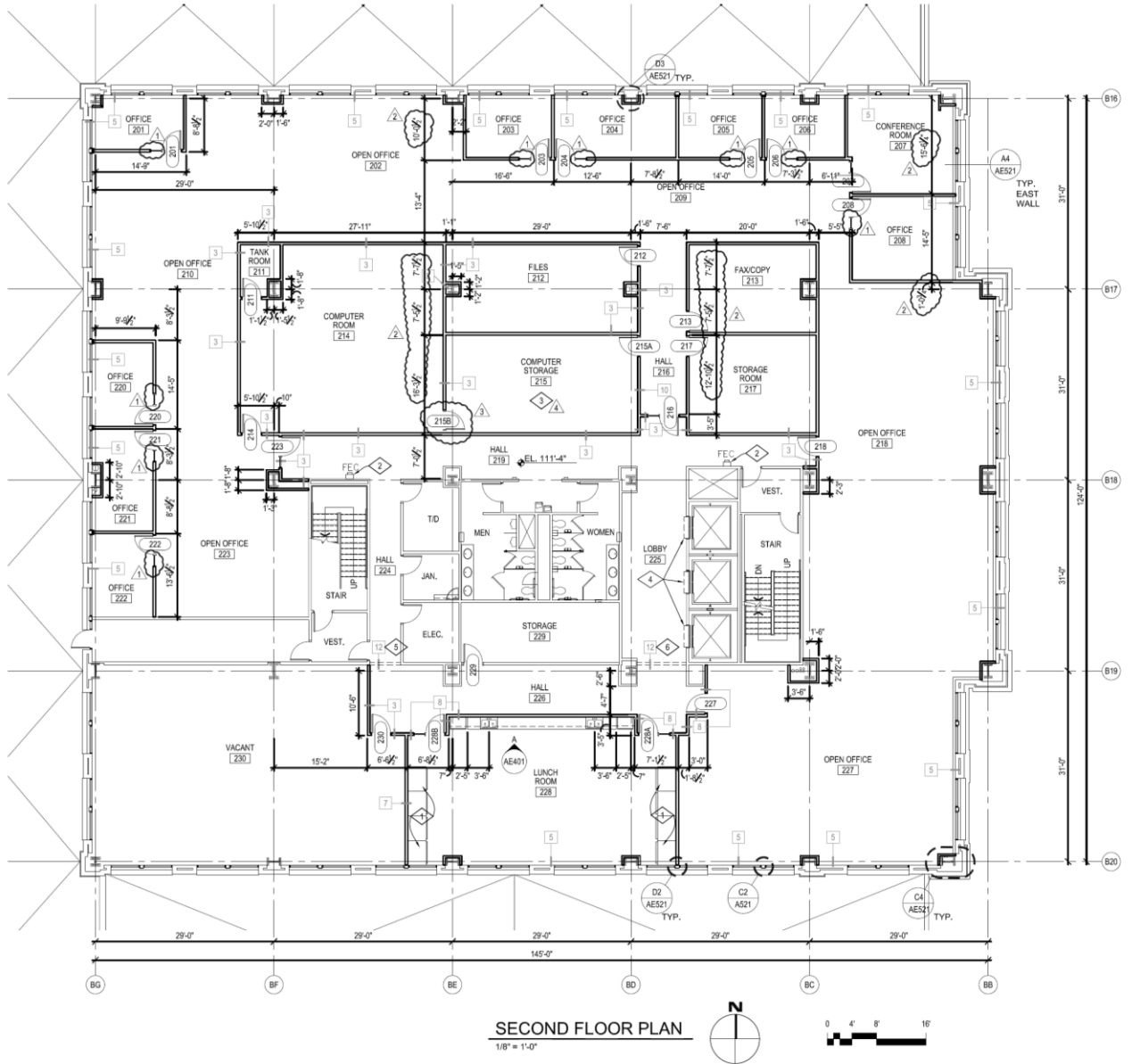
Summary:
TOTAL = 6,474 sf

COMMON
 2 Conference Rooms
 1 Offices
 1 Storage
 1 Kitchen
 2 Consultation Rooms

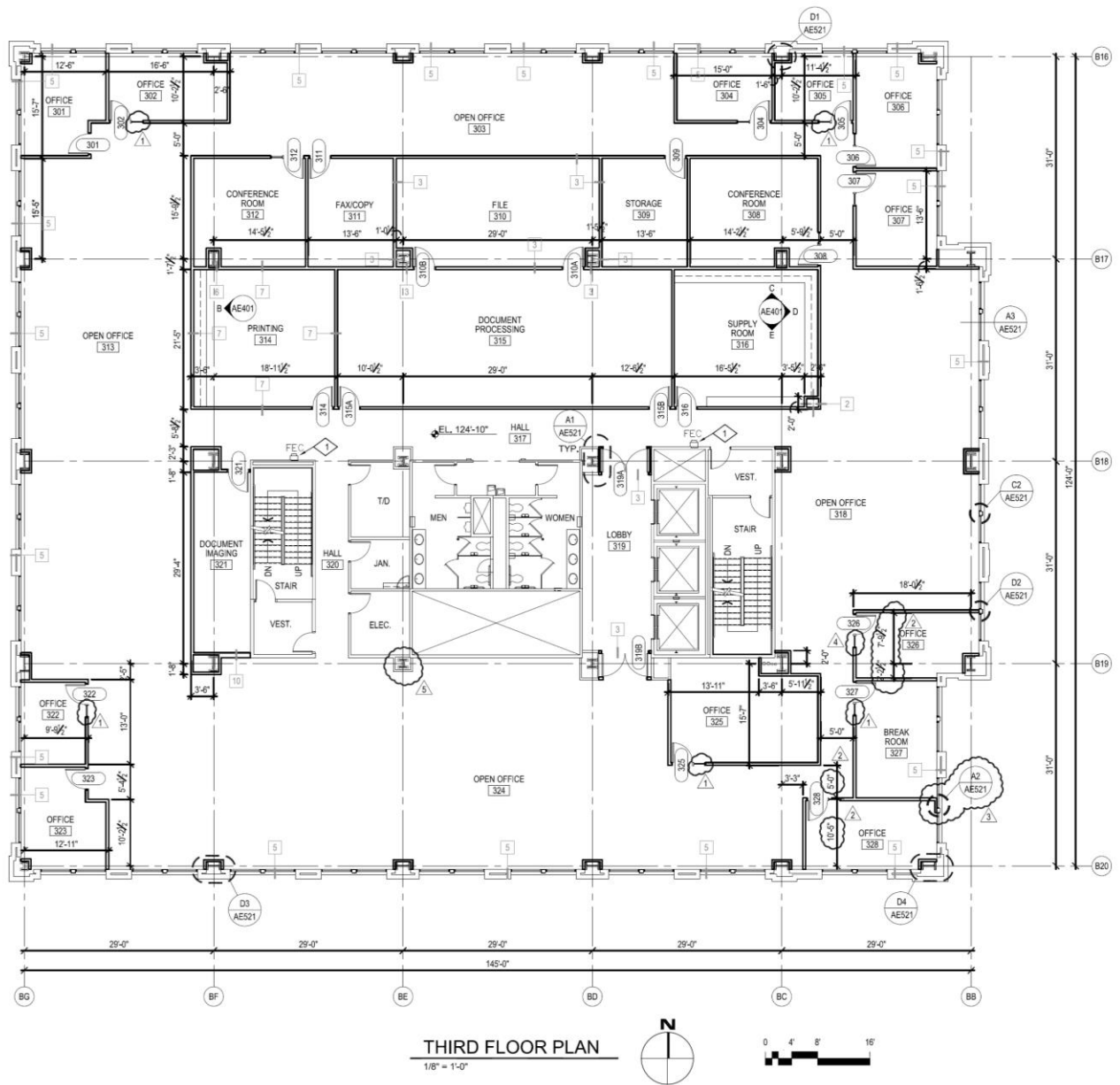


AUG.2022

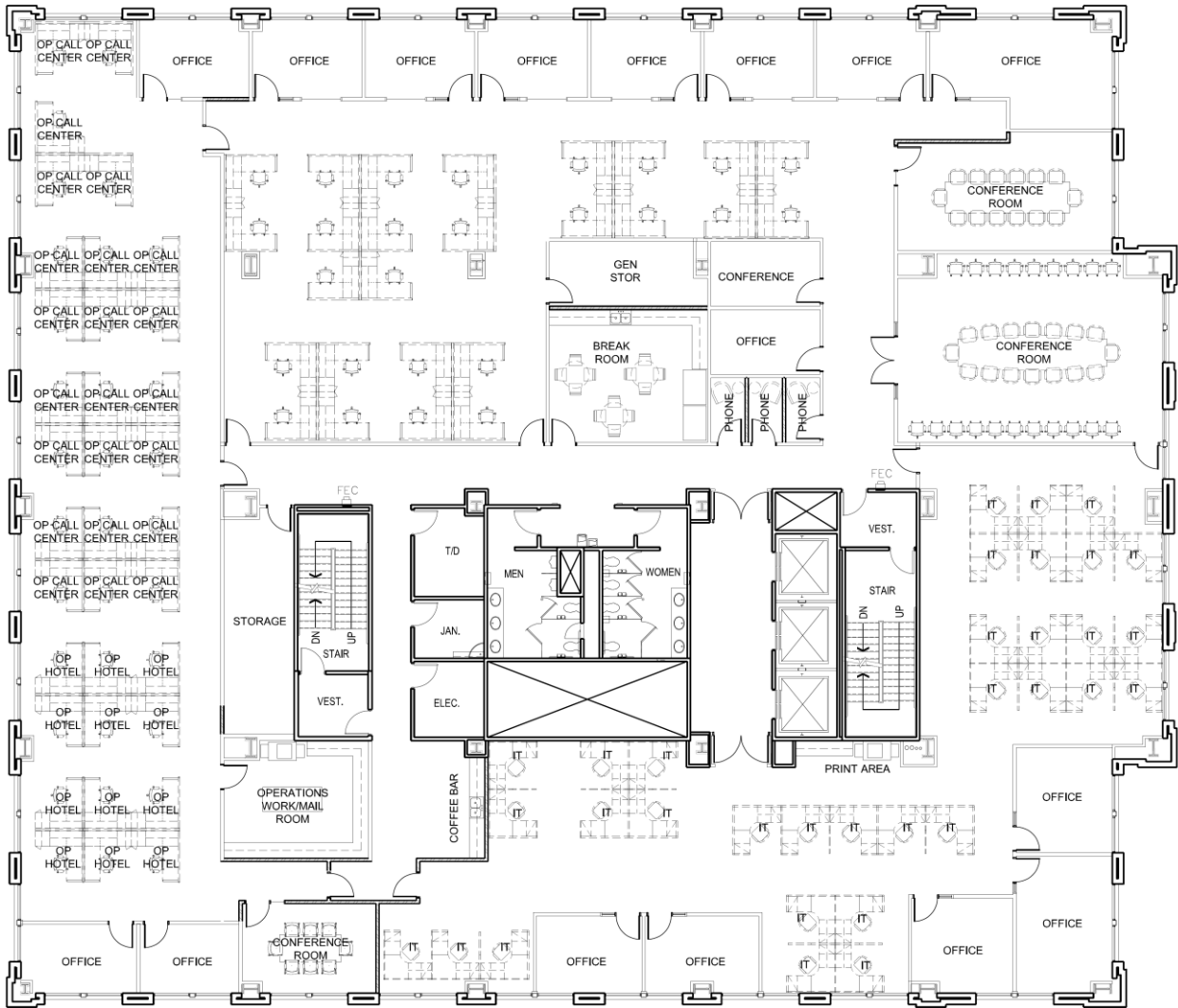
3.3 2nd Floor (17,780 sq. ft)



3.4 3rd Floor (17,780 sq. ft)



3.5 4th Floor (17,780 sq. ft), Proposed Layout for my529 Consolidation



3.6 5th Floor (17,780 sq. ft), Proposed Layout for OCHE Consolidation

