Utah Board of Higher Education Building Update

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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
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.

<table>
<thead>
<tr>
<th>CBIZ VALUATION GROUP, LLC</th>
<th>Building Summary Report</th>
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<tr>
<td>Site Number: 001</td>
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<tr>
<td>Site Name: Gateway Building Tower 2</td>
<td>Gateway Building Tower 2</td>
</tr>
<tr>
<td>Building # 2437</td>
<td>2002</td>
</tr>
<tr>
<td>Gateway Building Tower 2</td>
<td>5</td>
</tr>
<tr>
<td>60 South 400 West</td>
<td>6</td>
</tr>
<tr>
<td>Salt Lake City, UT 84101</td>
<td>81,794</td>
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<tr>
<td>Totals for Gateway Building Tower 2 - 1 Appraisal</td>
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<tr>
<td>Totals for 001 - 1 Appraisal</td>
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</tr>
<tr>
<td>Grand Totals - 1 Appraisal</td>
<td>$24,983,000</td>
</tr>
</tbody>
</table>

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](image)

**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

*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 RENTAL)**
   - 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
   - Consider offering parking

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

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**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

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12. Real Estate Advisory Services
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
3.2 Mezzanine/P+3

Summary:
Office Space = 2,486 sf
Common = 2,577 sf
TOTAL = 5,043 sf

Total Common Area (Gym, restrooms, Mech Rm, hallway, Elevators & Stairs) = 2,577 sf

AUG. 2022
3.3 2\textsuperscript{nd} 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