



3-5-1992

University of Tennessee Board of Trustees Exhibit Records, 1992 March 5, Exhibits 1 - 3

University of Tennessee

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News from UT

The University of Tennessee / News Center / 107 Communications Building / Knoxville, Tennessee 37996-0315 / (615) 974-2225

FOR IMMEDIATE USE
UT-Hess (245)
March 5, 1992

KNOXVILLE, Tenn. -- Acquisition of the Hess's Department Store building in downtown Knoxville by the University of Tennessee was authorized Thursday by UT trustees.

The UT administration proposes to buy the building, the land on which it is located, and its 330-car garage for \$6 million from the Crown American Corp.

UT currently is leasing about 60 percent of the building for \$1 million a year. The space houses the UT Conference Center, the Municipal Technical Advisory Service and the UT Medical Center administrative staff.

UT President Joe Johnson said UT needs the entire building and garage for continued use by units now there and to house academic departments while their buildings on the nearby main campus are being renovated over the next few years.

In addition to the \$6 million purchase, the board of trustees' finance and executive committees authorized up to \$6 million for renovation of the Hess's building.

Johnson said the \$12 million is no more than UT would pay if it continued its \$1 million-a-year lease agreement with Crown American for use of just part of the building.

"It's a sound business decision," trustee Jim Haslam said during a telephone conference call of the two committees.

"The acquisition price...is less than the appraised value of the property," said UT Executive Vice President Emerson Fly.

Mr. Bregg
Linda

The proposed acquisition is subject to approval of the Tennessee Higher Education Commission, the State Building Commission and the State School Bond Authority.

FILED BY UT NEWS CENTER (615-974-2225)-BG

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News from UT

The University of Tennessee / News Center / 107 Communications Building / Knoxville, Tennessee 37996-0315 / (615) 974-2225

FOR IMMEDIATE USE
Trustees (150)
Feb. 28, 1992

KNOXVILLE, Tenn. -- Two committees of the University of Tennessee board of trustees will hold a March 5 meeting by telephone conference call.

The finance and executive committees will meet at 9:15 a.m. (EST) to consider the purchase of the Hess's Building in Knoxville, Beauchamp Brogan, UT general counsel and board secretary, said Friday.

The call will originate from Brogan's office, 721 Andy Holt Tower.

The university has an option to purchase the building, at 600 Henley Street near the Knoxville campus, for \$6 million from Crown American Corp. UT currently leases approximately 186,000 square feet of space in the building.

Emerson Fly, UT executive vice president, said the \$6 million figure is less than the appraised value of the building and an adjoining 330-space parking garage. The UT-Knoxville Conference Center and offices of UT's Medical Center-Knoxville and Municipal Technical Advisory Service are currently located in the building.

FILED BY UT NEWS CENTER (615-974-2225)-JMC

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Office of the General Counsel and Secretary
719 Andy Holt Tower
Knoxville 37996-0170
Telephone 615/974-3245
FAX 615/974-1324

TO: Members of the Finance and Executive Committees, Board of Trustees

Colonel Tom Elam
Mr. J. Steven Ennis
Mr. Amon Carter Evans
Mr. James A. Haslam, II
Mr. William M. Johnson
Mr. William B. Sansom
Dr. Joseph E. Johnson

FROM: Beauchamp E. Brogan

A handwritten signature in black ink, appearing to read 'Brogan'.

DATE: February 27, 1992

SUBJECT: Joint Meeting of the Finance and Executive Committees
9:15 a.m. EST, Thursday, March 5, 1992
Room 721, Andy Holt Tower, Knoxville campus

The Finance and Executive Committees of the Board of Trustees will meet jointly by conference phone call at 9:15 a.m. EST, Thursday, March 5, 1992. The call will originate from the Office of the General Counsel and Secretary, 721 Andy Holt Tower.

The purpose of the call is to approve a proposal for acquisition of the Hess Building in Knoxville. A memorandum from Eli Fly explaining the proposal is enclosed, together with the agenda.

BEB:ll

cc: Other members of the Board of Trustees
Members of the President's Staff
Mr. Harlan Mathews
Mr. Billy Stair

ORDER OF BUSINESS
JOINT MEETING OF THE FINANCE AND EXECUTIVE COMMITTEES
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

9:15 a.m. EST.
Thursday, March 5, 1992

Office of the General Counsel and Secretary
Room 721, Andy Holt Tower, Knoxville campus

- A. Roll call.
- B. Approval of proposal to acquire the Hess Building, Knoxville.
- C. Approval of recommendation on transferrability of accumulated retirement contributions.
- D. Approval of recommendation on selection of optional retirement investment products.
- E. Other business.

Office of the Executive Vice President and
Vice President for Business and Finance
709 Andy Holt Tower
Knoxville, Tennessee 37997-0174
Telephone (615) 974-2243
Fax (615) 974-1324

TO: Dr. Joseph E. Johnson
Members of the Board of Trustees

FROM: Emerson H. Fly *EL'*

DATE: February 21, 1992

SUBJECT: UTK - Hess Building Acquisition

The University has executed an Option to Purchase Agreement with Crown American Corporation to acquire the Hess Building and associated parking garage located at 600 Henley Street, Knoxville. The Option is contingent upon approvals by the UT Board of Trustees, Tennessee Higher Education Commission, State Building Commission, and the State School Bond Authority and certification of the buildings being free of hazardous materials. The acquisition price for the facilities is \$6,000,000, which is less than the appraised value of the property.

The buildings are approximately 35 years old and contain approximately 350,000 rentable square feet. Additionally, the parking garage contains 330 parking spaces. The total site includes 2.85 acres located on both sides of Henley Street connected by an underground tunnel beneath Henley Street.

Currently, Crown American leases from First Tennessee Bank, Trustee, approximately 6,700 square feet of real property, on which part of the Hess Building is located. The lease term is for 99 years and will expire in 2053. The University intends on acquiring this property, but if unable to acquire the property, Crown American will assign the lease to the University. The property will be acquired at no greater cost than the appraised value. Legal Counsel has reviewed the matter and believes this approach is appropriate.

In 1989, the University entered into a lease with Crown American Corporation for approximately 186,000 square feet of space in the Hess Building and associated parking spaces in the garage. Currently, the University houses the Conferences Center, MTAS and Medical Center Administrative staff in the building. The proposed utilization plan for the building would provide for surge space to accommodate tenants displaced due to renovation of various facilities on the campus.

Dr. Joseph E. Johnson
Members of the Board of Trustees
February 21, 1992
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Currently, the University pays lease costs of approximately \$1 million annually. The University proposes to acquire and renovate the facility to meet the needs of the University through the issuance of Tennessee State School Bond Authority Bonds. The total cost for acquisition and renovation will not exceed \$12 million with a debt service cost of no more than the current lease payments. With no more additional cash outlay, the University will enjoy the long-term residual value of the property.

Attached for your review and information are summaries associated with this proposed acquisition.

Recommended Action:

That the University Administration be authorized:

1. To acquire the Hess Building and Parking Garage located at 600 Henley Street, Knoxville.
2. To acquire the real property located under the Hess Building from First Tennessee Bank, Trustee.
3. To enter into contracts as required for architectural, engineering, or other professional design services and to award and enter into contracts for construction within funds available for this project.

I am writing this memo to inform you of this opportunity and that we will be establishing a conference call in early March of the Executive and Finance Committees to address this matter. I will be glad to answer any questions you might have on this subject.

EHF/AP:lb

Attachments

Hess Building and Parking Garage
600 Henley Street
Knoxville, TN

Building Specifications

1. Age: 36 years old (Built in 1955)
2. Size:

(A) Main Building	250,000	Rentable sq. ft.
(B) Warehouse	<u>100,740</u>	Rentable sq. ft.
Total	<u>350,740</u>	Rentable sq. ft.
(C) Garage	330	Parking spaces
(D) Site	2.85	Acres
3. Type of Construction: Reinforced concrete, concrete block walls, concrete floors.
4. Safety: Sprinkler system and fire alarm system

Current UT Lease

1. Lease Term: 10 years - 9/1/89 - 8/31/99
Two (2) five year options
2. Amount of Space:

186,459	Rentable sq. ft.
(A) Office	133,900 Useable sq. ft.
(B) Warehouse	<u>37,900</u> Useable sq. ft.
Total	<u>171,800</u> Useable sq. ft.
(C) Garage	191 Parking Spaces
3. **COST**

	<u>YEARS 1-5</u>	<u>YEARS 6-10</u>
Annual Lease Cost	\$ 756,000	\$ 945,000
Annual Tenant Alterations Amortization	<u>\$ 261,000</u>	<u>\$ 261,000</u>
Total Annual Cost	<u>\$1,017,000</u>	<u>\$ 1,206,000</u>
4. Tenants: Conference Center, MTAS, Medical Center-Administrative Staff

**Ground Lease
Property Located Under Hess Building**

Lessor: First Tennessee Bank, Trustee

Lessee: Crown American Corporation

Term: 99 years
February 28, 1954 - February 28, 2053

Size: 6,695 sq. ft.

Cost:	Current Annual Rental	-	\$3,100
	1994	-	3,700
	2014	-	4,300
	2034	-	4,900

Purchase Option: \$50,000 after 2013

**UT BOARD OF TRUSTEES EXECUTIVE COMMITTEE
AGENDA ITEM FOR CONFERENCE CALL ON MARCH 5, 1992**

**RECOMMENDATION RELATIVE TO TRANSFERRABILITY
OF ACCUMULATED RETIREMENT CONTRIBUTIONS**

Since 1955, the State of Tennessee has offered faculty and administrative staff in Tennessee's public colleges and universities the option of enrolling in either of two retirement programs. The primary program - the Tennessee Consolidated Retirement System (TCRS) - is the retirement program open to all employees of the State of Tennessee. The secondary, or optional, program is offered through the Teachers Insurance and Annuity Association-College Retirement Equities Fund, commonly called TIAA-CREF.

In 1991, the Tennessee General Assembly amended the State's statutes on retirement to permit addition of two more optional companies from which faculty may choose in selecting a company, or companies, with which to invest their retirement contributions. At present, the Tennessee Consolidated Retirement System staff, together with representatives from UT and the Board of Regents, are in the process of selecting the additional companies. It is expected that the contracts with the new companies will take effect on July 1, 1992.

Adoption of additional investment companies as part of the Optional Retirement Program is being done for the purpose of permitting faculty to diversify their retirement investments across a broader range of investment products. With the addition of the new companies, diversification can be achieved by:

1. Distributing future contributions among the optional companies and their various investment products, and/or by
2. Transferring funds already accumulated to one or more of the new companies.

No action is required by the Board of Trustees to permit distribution of future contributions among the optional companies. However, the law requires the UT Board of Trustees and the Regents' Board each to recommend to TCRS the adoption of a policy which would permit transfer of funds already accumulated among the optional companies. In view of that requirement, the following action by the Board is proposed.

PROPOSED ACTION:

The Executive Committee of the Board of Trustees of The University of Tennessee, on behalf of the Board as a whole, requests adoption of transferrability of accumulated Optional Retirement Program funds among all investment companies selected by the Tennessee Consolidated Retirement System Board of Trustees, with an effective date of July 1, 1992.

**UT BOARD OF TRUSTEES EXECUTIVE COMMITTEE
AGENDA ITEM FOR CONFERENCE CALL ON MARCH 5, 1992**

**RECOMMENDATION REGARDING SELECTION
OF OPTIONAL RETIREMENT INVESTMENT PRODUCTS**

It is the responsibility of the Tennessee Consolidated Retirement System Board of Trustees to select optional retirement companies and the initial offering of investment products (investment funds) available through these companies. However, it is the responsibility of The University of Tennessee Board of Trustees and the Trustees of the State Board of Regents, jointly, to authorize the offering of any new investment products that these companies may later make available. With respect to the investment products to be offered to faculty and staff who participate in the Optional Retirement Program, it is the belief of the University Administration that to offer anything less than the full product line of each company would unduly restrict the investment flexibility of participants. Therefore, the following action by the Board is proposed.

PROPOSED ACTION:

The Executive Committee of the Board of Trustees of The University of Tennessee, on behalf of the Board as a whole, recommends that the complete product line of each of the optional retirement companies selected by the Tennessee Consolidated Retirement System Board of Trustees be made available to Optional Retirement Program participants, effective July 1, 1992. This recommendation also applies to the new Global Fund to be offered by the College Retirement Equities Fund.