



Andy Beshear
GOVERNOR

**FINANCE AND ADMINISTRATION CABINET
DEPARTMENT FOR FACILITIES AND SUPPORT SERVICES
DIVISION OF REAL PROPERTIES**

Bush Building, 3rd Floor
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Holly M. Johnson
SECRETARY

Sam Ruth
COMMISSIONER

Natalie W. Brawner
DIRECTOR

MEMORANDUM

TO: Katherine Halloran, Committee Staff Administrator
Capital Projects and Bond Oversight Committee

FROM: Natalie W. Brawner, Director *NWB*
Division of Real Properties

DATE: October 2, 2024

SUBJECT: PR-5775, Rockcastle County
Cabinet for Health & Family Services
Annual Rental Exceeding \$100,000.00

As outlined, attached please find notification of the subject lease agreement being processed by our Division's Leased Properties Branch.

If you have any questions or require additional information concerning this matter, please advise.

NWB/ml
Attachment

CC: Capital Construction Log
OSBD
PR-5775 File

REPORT TO CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

LEASE WITH ANNUAL RENTAL EXCEEDING \$100,000.00

Lease No.: PR-5775		County: Rockcastle
Using Agency: Cabinet for Health & Family Services		
Lessor (identify all parties having 5% or more ownership): Attached extra sheet if necessary	William R. Fowler	
Property Location: Lot#1 Rockcastle Business Park South, Mount Vernon, Kentucky 40456		
Check One: <input checked="" type="checkbox"/> New Lease <input type="checkbox"/> Renewal <input type="checkbox"/> Modification		
Type Space: Office	Cost Per Square Foot: \$25.50	
Annual Rental Cost: \$244,213.52	Average Cost Per Square Foot of Leased-In Space in County: \$5.63	
Utilities Included: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Cancellation Clause:	<input checked="" type="checkbox"/> Yes If yes, explain terms: 30 Days	<input type="checkbox"/> No If no, explain why not:
Effective Date: To be determined	Expiration Date: June 30, 2032	
Justification for Lease: Please see attached		
Has the Finance & Administration Cabinet complied with statutory requirements: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, explain:		
Explain why the Finance & Administration Cabinet chose this lessor (see attached approval memo and lease agreement): Please see attached		

COMMONWEALTH OF KENTUCKY LEASE AGREEMENT

LEASE/PR #	PR-5775, Rockcastle County	AGENCY	Cabinet for Health & Family Services
INITIAL ENCUMBRANCE	\$	DIVISION	
ANNUAL ENCUMBRANCE	\$244,213.52 (rounded)	DATE	September 3, 2024
VENDOR CODE #	KY0010067	BUILDING CODE #	

THIS LEASE, entered into between: **William R. Fowler**, whose address is: **408 Booker Road, Springfield, KY 40069** (Business Phone: **859-319-6679**), his heirs and assigns, hereinafter called the "Lessor", and the COMMONWEALTH OF KENTUCKY, hereinafter referred to as the "Commonwealth";

WITNESSETH, that for the consideration hereinafter mentioned, the parties hereto agree as follows:

1a. The Lessor hereby leases to the Commonwealth and agrees to keep in quiet and peaceful possession the following described premises with its appurtenances; property located at **Lot#1 Rockcastle Business Park South, Mount Vernon, KY 40456**, in the County of **Rockcastle**.

1b. Said premises consisting of **9,577** square feet are to be rented at the cost of **\$25.50** per square foot and will be used by the Commonwealth for office space.

2. The Commonwealth agrees to pay rent to the Lessor for the leased premises at the rate of **\$61,053.38 (rounded)**, payable **Quarterly**. The Lessor shall provide the Commonwealth with the following services: **None**; with **59** reserved parking spaces.

3. Subject to the limitations imposed by law and as provided in paragraphs 5 and 6 of this Lease, the term during which the Lease shall be effective shall begin **Per the addendum**, and end **June 30, 2025**.

4. This Lease shall be extended automatically upon the same terms and conditions herein for further periods of 12 months, not to exceed **7** extension period(s) unless the Commonwealth shall give the Lessor written notice **30** days prior to the expiration of the term or any extension that it will not be extended; no extension shall prolong the period of occupancy of the leased premises beyond the **30rd** day of **June, 2032**. The Lessor understands that the Commonwealth's funds cannot be committed beyond its current fiscal year and its applicable appropriation, and the related allotment from rental payments will be made.

5. The Commonwealth shall have the further right to terminate this Lease at any time upon **30** days written notice, time to be computed from date of mailing notice; termination under this paragraph shall not be considered effective until the last day of the month in which the notice period ends.

6. The Commonwealth agrees not to assign this Lease, or to sublet the premises except to a desirable tenant and for a similar purpose, and will not permit the use of the premises by anyone other than the Commonwealth, the Federal Government, or such sub-lessee, and the agents and servants of the Commonwealth, the Federal Government, or such sub-lessee.

7. The Commonwealth shall have the right during the existence of this Lease to make alterations, attach fixtures and erect additional structures or signs in or upon the leased premises, provided such alterations, additions, structures or signs shall not be detrimental to or inconsistent with rights granted to other tenants on the property or in the building in which the premises are located. Fixtures, additions, structures or signs placed in or upon or attached to the premises shall remain the Commonwealth's property and may be removed by it prior to the termination of this Lease.

8. Unless otherwise specified, the Lessor shall maintain the premises in good repair and tenantable condition, including heating and/or air conditioning equipment, except in case of damage arising from the negligent acts of the Commonwealth's agents or employees. For the purpose of maintaining the premises and to make necessary repairs, the Lessor reserves the right to enter and inspect the premises at reasonable times.

9. The Commonwealth agrees to take good care of the premises and to return them at the expiration of their Lease in as good order as received, ordinary wear and tear and natural decay excepted.

10. The Lessor shall be responsible for procuring and continuously maintaining casualty and liability insurance on the leased premises.

11. If the premises are destroyed by fire or other casualty, this Lease shall immediately terminate. In case of partial destruction or damage so as to render the premises untenable, the Commonwealth may terminate or suspend this Lease by giving written notice to the Lessor within 15 days after such partial destruction or damage, and, if so suspended, no rent shall accrue to the Lessor after the date of such partial destruction or damage until such damage is repaired and premises are considered tenantable.

12. It is agreed by the parties hereto that if any one of the provisions of this Lease shall contravene or be invalid under the laws of the Commonwealth of Kentucky, such contravention or invalidity shall not invalidate the whole Lease, but it shall be construed as if not containing that particular provision or provisions, and the rights and obligations of the parties shall be construed accordingly.

13. The Lessor certifies by his signature hereinafter affixed that he ("he" is construed to mean "they" if more than one person is involved; and, if a firm, partnership, corporation, business trust or other organization is involved, then "he" is construed to mean any person with an interest therein) is legally entitled to enter into contracts with the Commonwealth of Kentucky and that by holding and performing this contract will not be violating either any conflict of interest statute (KRS 45A.330 - 45A.340 or 45A.990) of the Executive Branch Code of Ethics, KRS Chapter 11A, or any other applicable statute or principle by the performance of this Lease, or will he realize any unlawful benefit or gain directly or indirectly from it. The Lessor further certifies that he has not knowingly violated any provision of the campaign finance law of the Commonwealth, and that by entering into this Lease Agreement he will not be in violation of the campaign finance laws of the Commonwealth.

14. The Lessor agrees to notify the Commonwealth of all persons owning or upon any change or transfer of ownership involving 5% or more in stock, in partnership, business trust, or corporation, including silent or limited partners. Non-compliance may result in termination of the Lease Agreement.

15. Lessor shall comply with all standards set by the Department of Housing, Buildings and Construction, Division of Building Codes Enforcement, and that of the Kentucky Occupational Safety and Health Standards Board and the Americans with Disabilities Act (ADA).

16. The contractor, as defined in KRS 45A.030 (9) agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review. Records and other prequalification information confidentially disclosed as part of the bid process shall not be deemed as directly pertinent to the contract and shall be exempt from disclosure as provided in KRS 61.878(1)(c). The contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. In the event of a dispute between the contractor and the contracting agency, Attorney General, or the Auditor of Public Accounts over documents that are eligible for production and review, the Finance and Administration Cabinet shall review the dispute and issue a determination, in accordance with Secretary's Order 11-004.

IN WITNESS WHEREOF, the parties hereto have subscribed their names:

STATE LEASING AGENCY REPRESENTATIVE _____ Date

LESSOR _____ Date

ANALYST, LEASING BRANCH, DIVISION OF REAL PROPERTIES _____ Date

ATTORNEY, FINANCE & ADMINISTRATION CABINET _____ Date

MANAGER, LEASING BRANCH, DIVISION OF REAL PROPERTIES _____ Date

DIRECTOR, DIVISION OF REAL PROPERTIES _____

SECRETARY, FINANCE & ADMINISTRATION CABINET _____ Date

APPROVED THIS _____ DAY OF _____, 20_____

When executed by the Secretary, Finance & Administration Cabinet, this instrument constitutes a finding and order, pursuant to KRS Chapters 45A and 56, that the leased property is needed for use by the Commonwealth of Kentucky. All correspondence and inquiries regarding this Lease are to be directed to the Division of Real Properties, Bush Building, 3rd Floor, 403 Wapping Street, Frankfort, Kentucky 40601-2607, phone 502/564-2205.

ADDENDUM

The following items are to be considered a part of lease agreement PR-5775, Rockcastle County, dated September 3, 2024:

SECTION 1

1. The building shall meet all Kentucky building codes and accessibility specifications in accordance with ADA, as enforced by the Kentucky Department of Housing, Buildings and Construction. The Department may require a set of construction plans from the Lessor. The Lessor is required to submit a copy of these plans, if/as approved by the Department, to the Division of Real Properties. The Lessor shall be responsible for determining/complying with the requirements of the Department. Issues such as fire rated corridors, fire suppression systems (if applicable), HVAC installation, etc. are not addressed in the space planning information (i.e., floor plans and specifications) provided by the Division of Real Properties.
2. All facilities with a total leased square footage of 3,000 square feet or more shall be equipped with automatic fire suppression systems (sprinklers). The system shall be installed in accordance with all applicable provisions/requirements of the Department of Housing, Buildings, and Construction. **NOTE: Access to an underground water main with a minimum diameter of six (6) inches is required for sprinkler systems serving spaces that exceed 3,000 square feet.** The Lessor shall be responsible for installation and maintenance of the fire suppression system. The Commonwealth prepares floor plans based on the presence of a suppression system. Should the Lessor submit an exception to this requirement they shall be solely responsible for any expenses associated with additional requirements as determined by the Department.
3. Central heating and air conditioning (HVAC) shall be installed throughout. The HVAC system shall be installed in conformance with Kentucky building codes, as administered by the Kentucky Department of Housing, Buildings and Construction. The Lessor shall also install an adequate fresh air handling system in accordance with applicable ASHRAE Standards. Electronic thermostats with programmable functions shall be installed for new or existing HVAC systems. A standard locking cover shall be installed on the thermostat. The local supervisor, in conjunction with the Lessor, will determine appropriate settings (i.e.: daytime/evening temperature settings, set back timer settings as required by regular office hours, etc.) for each property. Central air units, heat pumps, etc. must be ENERGY STAR qualified where available. Alternative systems (e.g., geo-thermal, etc.) may be proposed at the discretion of the lessor but are subject to review and approval by the Division of Real Properties. The Lessor shall ensure that applicable HVAC systems are serviced (e.g., clean and check) not less than twice annually and filters shall be replaced not less than once per quarter. Documentation regarding annual servicing shall be provided to the Division of Real Properties.
4. The Lessor shall insulate exterior walls at a minimum R-13 or equivalent and the ceiling at a minimum R-38 or equivalent. Weather stripping and/or other suitable insulation shall be applied to all doors and windows and all other exterior of the leased space. This shall be inspected on an annual basis and repaired/replaced as necessary. Windows shall be installed or replaced with Low E/ENERGY STAR qualified windows. The lessor shall provide documentation identifying the type/rating of installed windows. The Lessor shall provide mini-blinds for all windows.
5. Separate utility meters are needed if the using agency is to pay utilities, with service to be established in the name of the using agency. *{Agencies that are billed directly by a local utility should contact the utility company to identify their agency as "tax exempt"}*. If a separate meter is not feasible, the Lessor shall bill the using agency on a pro-rated basis. If this method is used, the Lessor shall provide the using agency sufficient documentation to justify the percentage of the total bill to be charged to the using agency. *{Agencies that receive utility invoices from the Lessor (based on the percentage of space occupied) should reimburse the Lessor for the full amount of the invoice including any applicable taxes}*.
6. If a plenum ceiling is to be used, all wiring shall be housed in conduit, or plenum cable shall be used. The Lessor shall advise the Division of Real Properties as soon as possible when it is determined that plenum or a ducted ceiling is to be used. This will ensure that the agency's appointed electricians will be prepared with the right cabling. **Failure to notify the Division of Real Properties of a plenum ceiling, prior to award of a lease, shall be considered grounds for termination of the lease.**

SECTION 2

1. Floor-to-ceiling walls shall be constructed as indicated on the floor plan. Install acoustical insulation (R-11 or equivalent) or soundboard in interior walls if/where indicated on the floor plan. All walls shall be drywalled and painted or repainted a scrubbable neutral color latex enamel paint with either a satin or eggshell finish in conjunction with the floor covering replacement defined in item # 3 below. New walls require a primer coat (sprayed or rolled) and two finish coats (rolled). **Existing walls require one finish coat (rolled) if same color is being used or two finish coats (rolled) if changing color or patching is required.** The Lessor shall install a chair rail at a height of 32" from the floor in the reception area(s).

2. An acoustical tile ceiling shall be installed at a height of 9'.
3. Shelving shall be installed if/where shown on the floor plan.
4. Rest rooms must comply with ADA requirements and be furnished with hot and cold water, toilet tissue holders, soap dispensers, paper towel dispensers, and mirrors. Prior to installation, verify with the using agency the type of dispensers required for products currently on Commonwealth of Kentucky price contract. Water fountain(s) shall be installed as shown on the floor plan, or as approved by the Department of Housing, Buildings, & Construction.
5. Vinyl composition tile (VCT) shall be installed where indicated on the floor plan, luxury vinyl tile shall be installed throughout the remainder of the leased premises.
6. The Lessor shall provide a sink and counter in the break room, with cabinets above and below, if/as shown on the floor plan.
7. The Lessor shall provide in the janitorial closet, shelving at a height of 54" from the floor, and a built-in floor sink with drain at a height of 10" to 12" from the floor.
8. Water Sense labeled products shall be installed as applicable (i.e. restroom, breakroom fixtures, etc.). (See www3.epa.gov/watersense/index.html). Product information (e.g., maximum flow rates, gallons per flush, etc.) shall be provided to the Division of Real Properties prior to installation. Water heaters may be replaced with point of use/demand heaters where feasible and must be appropriately sized for restroom(s), break room(s), and offices or other spaces supplied with water. Water heaters may alternatively be replaced with ENERGY STAR certified water heaters. Upon completion of renovations or construction, the lessor must supply confirmation of the installation of certified/qualified products to the Division of Real Properties. This requirement may be waived for laboratory facilities subject to specific requirements of the tenant agency and approval from the Division of Real Properties.
9. The Lessor shall provide reserved parking for 59 agency staff and visitors, plus accessible space(s) as required by the Department of Housing, Buildings, & Construction. The parking lot shall be asphalted and striped with all spaces clearly marked and identified. All holes and other damage shall be repaired on a timely basis. All spaces shall be a minimum of 9' x 18' with the exception of ADA accessible spaces.
10. The Lessor shall be responsible for the maintenance and upkeep of the grounds surrounding the property, to include mowing/trimming grass and raking leaves. The Lessor shall also be responsible for maintenance and cleaning of the parking lot, including snow removal from the parking lot and snow & ice removal from the sidewalks.

SECTION 3 - Telephone/Computer Access/Electrical Fit Up

1. Adequate recessed fluorescent lighting shall be installed for office use, including telephone/storage rooms, with separate light switches for each room. Light fixtures shall be installed (or all existing fixtures shall be replaced) with T-8 fixtures equipped with direct replacement LED lamps. Alternatively, fixtures may be replaced with LED Contemporary Architectural Troffers or equivalent fixtures. Alternate fixture types may be proposed by the lessor provided that adequate lighting levels are maintained for the proposed facility use and a similar level of efficiency can be documented. The lessor will be responsible for supplying/replacing lamps as required. Sufficient fixtures must be installed to provide adequate lighting levels for the application (e.g., office, storage, clinical/laboratory, etc.).
2. All exit and directional lights shall be the LED type.
3. Appropriate electrical and telephone outlets are to be installed where indicated on the floor plan. The Lessor shall also provide access to phone outlets by conduit. Electrical circuits in the electrical panel box shall be labeled and identified. Lessor shall install electrical surge protection for the main electric service.
4. The Lessor shall install a three-wire, 117 volt, 60 Hz single phase, 20 AMP dedicated 4-plex AC outlet in the wall located within 4' of the telephone system for each telephone system installed in building. ***NOTE: The third wire, or ground wire, in this circuit shall be connected to earth/ground.*** The Lessor shall install a 5/8", 4' x 8' sheet of plywood (painted black) on the wall in the telephone equipment room for each telephone system installed. If space permits, the plywood will be mounted horizontally.
5. The Lessor shall install an entrance conduit with pull string with a minimum diameter of 4", or other size as recommended by the local telephone service provider (the lessor shall contact the local telephone service provider to determine service entrance requirements and conduit size), through the foundation or building wall to facilitate the incoming telephone service cable to a predetermined telephone company "network access unit" (demarcation point) location within the building. If the "network access unit" does not terminate in the telephone equipment room, the Lessor shall install conduit from the "network access unit" location to the telephone equipment room. ***Note: The number and size of this conduit depends on the terminal devices served on a floor, the type of cable used, and the need to use one cable or a cable per floor. At least one spare conduit of the same size***



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Holly M. Johnson
SECRETARY

Sam Ruth
COMMISSIONER

Natalie W. Brawner
DIRECTOR

MEMORANDUM

TO: Natalie W. Brawner, Director
Division of Real Properties

FROM: Tim Driskell, Leasing Manager
Division of Real Properties

DATE: September 3, 2024

SUBJECT: PR-5775, Rockcastle County
Cabinet for Health & Family Services

The Cabinet for Health and Family Services currently occupies 5,648 square feet of space (PR-0960), leased at a rental rate of \$5.70 per square foot (\$32,193.60 annually) excluding utilities and janitorial services, with a term expiring June 30, 2026. The Cabinet for Health and Family Services also currently occupies 4,586 square feet of space (PR-3555), leased at a rental rate of \$5.56 per square foot (\$25,498.16 annually) excluding utilities and janitorial services, with a term expiring June 30, 2032. Due to the agency wishing to consolidate all staff within the county into the same location, they submitted a space request. The space request submitted by the agency indicates a need for approximately 8,723 square feet of space. Accordingly, and pursuant to applicable provisions of KRS 56.803, advertisements were placed, and one best & final proposal was received as follows:

1. William R. Fowler proposed new construction at Lot 1 Rockcastle Business Park South in Mount Vernon, Kentucky with 9,577 square feet of office space and 59 reserved paved parking spaces at \$25.50 per square foot (\$244,213.52 annually rounded) excluding utilities, through June 30, 2032.

Per KRS 56.803(15)(b), efforts to negotiate more favorable terms for the agency were not successful with the lessor, and the Cabinet for Health and Family Services has recommended acceptance of the proposal submitted by William R. Fowler at the proposed terms as defined herein. Per KRS 56.823(2), Capital Projects and Bond Oversight Committee reporting is required prior to execution for the proposed lease agreement. Your approval of same is recommended to secure suitable office space for benefit of the Cabinet for Health and Family Services.

TWD/ml
Attachment

APPROVED:


Natalie W. Brawner, Director