

Finance and Administration Cabinet
Capital Plaza Redevelopment Project

Senate Bill 238, 2017 Regular Session of the Kentucky General Assembly, authorized the Finance and Administration Cabinet to enter into a public-private partnership, built-to-suit lease agreement for the renewal of the Capital Plaza Complex in Frankfort. The procurement process for built-to-suit projects is part of a public-private partnership whereby the company constructing the building will finance the cost of construction. The property was conveyed to CRM/DW Wilburn LLC, and is being leased to the Commonwealth. At the fulfillment of the lease term, the property will be returned to the Commonwealth. CRM/DW Wilburn LLC Company is responsible for maintaining and managing the building during the term of the lease agreement.

The Capital Projects and Bond Oversight Committee, in December 2017, approved the built-to-suit award to CRM/D.W. Wilburn. The lease will have a maximum annual cost of \$7,594,254, with biennial renewals through June 30, 2050. The project includes demolition of the Capital Plaza area, except for the YMCA, hotel, and associated parking, and construction of an approximately 385,500 square foot office building for about 1,500 employees and a 1,206 space parking garage. The contractor is several months ahead of schedule and a revised timeline is provided below.

- November 2018 - Building exterior completed
- December 2018 - Building roofing completed
- April 2019 - Fifth floor ready for furnishings and parking garage completed
- May-June 2019 - Third and fourth floor ready for furnishings
- July-August 2019 - First and second floor ready for furnishings
- September 2019 - Building achieves substantial completion
- October 2019 - Building achieves final completion

Project Financing

Certificates of Participation (COPs), Series 2018A, \$107,260,000, and Taxable Series 2018B, \$3,415,000, were issued in February 2018 to finance the project and the associated costs of issuance. [COPs represent a debt instrument similar to revenue bonds, and are issued to finance the purchase of equipment or property, to pay expenses on such property, and to refinance and pay expenses related to the issuance. COPs are executed by the trustee rather than issued by one of the commonwealth's debt issuing authorities. However, both revenue bonds in Kentucky and COPs sold to finance most state projects are secured by a pledge of lease payments from the assets constructed or acquired with the financing proceeds and repaid by state appropriation pursuant to those lease agreements. In this case, Huntington National Bank issued the COPs, and the Commonwealth of the Kentucky is responsible for the debt service on the COPs through its base lease rental payments.]

Sources and Uses of Funds			
	Series A	Series B	Total
Sources:			
Par Amount	\$107,260,000	\$ 3,415,000	\$110,675,000
Premium	<u>2,768,700</u>	<u>0</u>	<u>2,768,700</u>
Total	<u>\$110,028,700</u>	<u>\$ 3,415,000</u>	<u>\$113,443,700</u>
Uses:			
Project Fund	\$ 95,172,400	\$ 0	\$ 95,172,400
Capitalized Interest	13,164,800	3,359,500	16,524,300
Underwriter's Discount	1,087,000	35,800	1,122,800
Costs of Issuance	601,500	19,100	620,600
Rounding	<u>3,000</u>	<u>600</u>	<u>3,600</u>
Total	<u>\$110,028,700</u>	<u>\$ 3,415,000</u>	<u>\$113,443,700</u>

Hard costs are as follows:

Site A Demolition	\$3,800,000
Site A Improvements	2,650,000
Site B Demolition	2,550,000
Site B Improvements	4,600,000
Shell/Core/Fitup (385,000 sf @\$138.69 per sf)	53,400,000
Parking (1,081 spaces @ \$12,025.90 per space)	<u>13,000,000</u>
Total	\$80,000,000

Site A includes the Capital Plaza Tower side of Mero Street to Fort Hill and Wilkinson Boulevard to the Transportation Building. Site B includes the Capital Plaza Hotel side of Mero Street to Clinton Street and St. Clair Street to the Capital Plaza Hotel.

Project fund deposit is as follows:

Hard Costs	\$80,000,000
Project Contingency	6,000,000
Soft Costs (Architect, Engineering, etc.)	4,484,000
Development Costs	4,113,100
Operations and Maintenance/Capital Reserve	500,000
Bridge Loan Interest	<u>75,300</u>
Total	\$95,172,400

The bridge loan, up to \$10 million, was financing from the developers to cover project expenditures from execution of the original lease agreement (December 19, 2017) to closing of the COPs issue (February 22, 2018).

The state has worked with the City of Frankfort in regard to developing six acres of land formerly part of the Capital Plaza property. The governments will establish a public-private partnership, and will award the land to a developer next year for development.

Long-range plan for state leased space

The Finance and Administration Cabinet, Department for Facilities and Support Services, has continued to reduce its dependency on leased space in Franklin County and take advantage of consolidating agencies when possible. The intention of the long-range plan is not to reduce the amount of square feet under lease to zero, but to find an optimal ratio of leased to owned properties. Keeping leased properties does allow the Commonwealth to both grow and contract without having unoccupied state-owned buildings. The 300 Building and the Capital Plaza Redevelopment are a series of new buildings designed to further reduce the state's dependency on leased space. In Franklin County, the state leases about 1.1 million square feet of office space (16%), and owns about 5.3 million square feet (78%). Another 371,000 square feet (6%) is comprised of built-to-suit space, and will eventually become state-owned.



