



Preliminary Project Proposal to  
The Asset Management Board

**Executive Office of Energy and Environmental Affairs  
Acquisition of Office Lease for  
Department of Public Utilities**

**Boston, Massachusetts**

**November 19, 2019**

*Proposed by:*

Commonwealth of Massachusetts

Executive Office of Energy and Environmental Affairs

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## **I. DESCRIPTION OF THE PROJECT:**

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### **Proposing Agency:**

Executive Office of Energy and Environmental Affairs (EOEEA)

### **Description of the Project:**

The Project is the acquisition of a lease for a term exceeding 10 years for premises to house the administrative office and hearings functions of the Department of Public Utilities (DPU). DPU is an agency within EOEEA. EOEEA seeks approval from the Asset Management Board to acquire a lease of up to 35,000 usable square feet of office space for an initial term of 10 years plus two 5-year extension terms. The lease will be acquired through a competitive search for space within the search area defined as the City of Boston Central Business District, delineated on the map **Attachment 1**, EOEEA Lease Search Area.

The Commonwealth currently leases 33,466 usable square feet of office, hearings, and storage space for DPU at the South Station Transportation Center, One South Station, Boston. The landlord is AAC South Station Property, LL. The 10-year lease term commenced January 10, 2011 and will expire January 9, 2021.

### **Description of the Asset**

This project is for the procurement of currently unidentified leasehold estate for office space within the Boston search area identified on Attachment 1.

### **Public Purpose and Public Benefits**

The goals of the Project are to achieve the following public purposes and public benefits: (1) stabilize the location of Commonwealth agency offices; (2) reduce costs associated with tenant improvements, purchase and installation of telecommunications infrastructure and systems furniture, and moving that are incurred each time an agency relocates; (3) capture the value of improvements and investments made by the Commonwealth in existing leaseholds; and (4) promote sound management of the Commonwealth's portfolio of office space in the Boston area.

### **Description of the Project Procurement Method**

The Division of Capital Asset Management and Maintenance (DCAMM), in partnership with EOEEA, will acquire the lease through a competitive process in accordance with M.G.L. chapter 7C. DCAMM will issue a Request for Proposals (RFP) to solicit proposals from interested parties. The Commonwealth of Massachusetts, acting by and through DCAMM on behalf of the DPU, will enter into a lease with the selected proposer.

## **II. PUBLIC PURPOSE AND PUBLIC BENEFITS:**

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### **Sound Asset Management and Public Benefit:**

The Project was developed in a manner consistent with DCAMM's goals to manage the Commonwealth's portfolio of leases in Boston. In 2017, in light of changing market conditions and upcoming lease expirations for large offices in Boston, DCAMM engaged Colliers International to prepare a Strategic Portfolio Plan to evaluate the state's portfolio of leased and owned office space in the Boston area. Colliers' Plan included three recommendations:

- (i) reduce the amount of office space in short-term leases (10-year term or less);
- (ii) increase the amount of Commonwealth-owned or long-term leased office space; and
- (iii) right-size office footprints.

Replacing short-term leases with longer term leases will provide greater opportunity to manage risk in the lease portfolio and increase stability for agencies whose leased office space continues to meet their needs.

Having the option to extend lease terms beyond 10 years will be beneficial to the Commonwealth. Renovated premises may remain in good condition and continue to support an agency's operations after 10 years; options to extend lease terms enable the Commonwealth to take advantage of premises that continue to meet agency needs and to continue to benefit from the investment made in tenant improvements.

Due to the scarcity of large blocks of available office space in downtown Boston and the cost of tenant improvements and relocation, EOEEA proposes to seek a leasehold interest longer than the 10-year term permitted under M.G.L. c. 7C s. 35. EOEEA and DCAMM's Office of Leasing and State Office Planning, along with DPU, have evaluated DPU's existing offices and anticipated future needs, with the goal to right-size the agency's future office occupancy in Boston.

### **III. LAWS AND REGULATIONS TO BE WAIVED:**

EOEEA will be requesting that the AMB waive the following laws and regulations for this proposed transaction when the Final Project Proposal is submitted for approval:

M.G.L. Chapter 7C, Section 35

810 CMR 2.06(2)(b)

810 CMR 2.06(2)(c)

810 CMR 2.06(2)(f)

810 CMR 2.05(3) in part

M.G.L. Chapter 7C, Section 35 (10 Year Limitation) – Section 35 is being waived as it would limit the term of any lease acquisition to a maximum of 10 years.

810 CMR 2.06(2)(b) (Agency Inventory) – No inventory is required because no asset of the proposing agency is being declared as surplus.

810 CMR 2.06(2)(c) (Polling Requirement) –The first sentence of this section requires the Commissioner of DCAMM to certify receipt of an inventory of the agency's assets and that such inventory is accurate and correct. The inventory is not required because no asset of the proposing agency is being declared as surplus. The second sentence of Section 2(c) requires the DCAMM Commissioner to also certify that the project does not conflict with the current and foreseeable needs of any agency of the Commonwealth. Since this transaction does not require state polling, the requirement in this second sentence should be waived to make it clear that the Commissioner's certification is not required.

810 CMR 2.06(2)(f) (Real Property Appraisal) – Section 2(f) requires an independent appraisal for the disposition of real property. Because no asset is being disposed of and the competitive procurement process will establish the fair market rental value of the lease being procured, the appraisal requirement should be waived.

810 CMR 2.05(3) (Public Hearing Requirement, in part) - The EOEEA Lease Search Area is located entirely within the City of Boston. There will be one public hearing held within the City of Boston rather than separate hearings in each legislative district as the asset to be acquired is unknown and not located in any specific legislative district.

#### **IV. ALTERNATIVE ACQUISITION PROCESS:**

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EOEEA seeks AMB authorization to procure a leasehold estate for office use for a term of up to 20 years including extension options. Landlord and premises will be selected through a competitive Request for Proposals (RFP) process in accordance with M.G.L. Chapter 7C. DCAMM, on behalf of EOEEA, will conduct the proposal selection process as described below.

##### **Competitive Selection Process**

Following AMB approval of a Final Project Proposal for this Project, DCAMM, in coordination with EOEEA, will undertake the following process to select a proposal and enter into a lease:

1. Prepare RFP: DCAMM will prepare and issue the RFP to procure leased office space. The RFP will specify the date, time, and place for submission of proposals. The RFP informs all potential proposers of:
  - the Commonwealth’s space needs,
  - the steps proposers must take to submit a proposal,
  - the procedures followed and the criteria used by DCAMM and the User Agency to evaluate proposals and select the proposal most advantageous to the Commonwealth’s needs,
  - the Lease to be executed between the property owner and the Commonwealth of Massachusetts acting by and through DCAMM on behalf of the User Agency, and
  - the Landlord’s Services and Landlord’s Improvements the Landlord must provide under the Lease.
2. Advertise RFP: The RFP will be advertised in accordance with the provisions of Chapter 7C, Section 36.
3. Receive Proposals, Evaluate, Select Proposal: Proposals will be evaluated based on the requirements and criteria specified in the RFP. DCAMM will select the most advantageous proposal based on evaluation of the proposals received and the recommendation of EOEEA.
4. Documentation: DCAMM, in consultation with EOEEA, will prepare the necessary legal documents for the lease transaction.
5. Execute Lease: DCAMM will execute the lease for the Commonwealth and on behalf of EOEEA and DPU.

## **V. FINANCIAL FEASIBILITY:**

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Though the RFP process, DCAMM will obtain proposals that reflect fair market value for a leasehold within the search area. EOEEA anticipates that DPU will have the funds necessary to complete the Project.

## **VI. IMPLEMENTATION AND PERFORMANCE MONITORING:**

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EOEEA, in consultation with DCAMM, will assist the AMB in monitoring the performance of the proposed transaction by reporting annually to the AMB pursuant to its regulations (810 CMR 2.08).

The successful performance of this Project will be measured objectively by the following criteria:

- The procurement process will yield a long-term lease that will address Project aspirations and goals.

## **VII. PUBLIC PARTICIPATION:**

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Prior to submitting a Final Project Proposal to the AMB, EOEEA, with the assistance of DCAMM, will conduct the following public notice and hearing process:

1. Public Notice: EOEEA, in collaboration with DCAMM, will publish a “Notice of Intent to Submit a Proposal and Public Hearing” with an invitation for public comment. The notice will be advertised once a week for two consecutive weeks in the Central Register and once a week for two consecutive weeks in at least one local newspaper for the property. The last notice will appear no less than seven days prior to the public hearing. A copy of the notice will be sent, certified mail, return receipt requested, to members of the General Court in the legislative district(s) involved and to the appropriate municipal officials representing the city (City of Boston) impacted by the Project. Municipal officials will be asked to post the notice in a public place in Boston City Hall.
2. Public hearing: A public hearing will be conducted in the City of Boston within the EOEEA Lease Search Area. The public hearing will be advertised in at least one newspaper of general circulation in Boston.

Written comments and public hearing comments, if any, will be considered in the drafting of the Final Project Proposal and copies will be provided to the AMB.

## **VIII. MATERIALS FOR FINAL PROJECT PROPOSAL:**

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Subject to approval of this Preliminary Project Proposal, EOEEA, with the assistance of DCAMM, will prepare and submit a Final Project Proposal for consideration by the AMB. As required by 810 CMR 2.06(2), the Final Project Proposal will include the items listed below:

- A detailed description of the Project with all noted items;

- Secretariat approval (EOEEA);
- Identification of agency needs for a Project location;
- Public comments and agency response;
- Statement of conflicting laws and regulations to be waived and description of competitive disposition process;
- Agency plan to assist AMB in monitoring the Project;
- Statement of agency responsible for Project implementation;
- Applicable reports and studies;
- A schedule for implementation showing major milestones and completion dates;
- Identification of private individuals and consultants involved in proposal preparation; and,
- Additional information as needed.

## **IX. CONCLUSION:**

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The Executive Office of Energy and Environmental Affairs (EOEEA), believes that this request for authorization to enter into a 10-year lease with two five-year extension options through a competitive request for proposals process is in the public interest, and meets the standards set forth in M.G.L. Chapter 7B and in 810 CMR 2.02(1)(a) through (g). Should the AMB approve this Preliminary Project Proposal, EOEEA, in collaboration with DCAMM, will conduct the public review process outlined above and develop a Final Project Proposal for the AMB's review and approval.

## **ATTACHMENTS**



**ATTACHMENT I**  
**EOEEA Lease Search Area**

