



# REAL ESTATE LEASING GUIDE



## TABLE OF CONTENTS

	<b>Page</b>
<b>I. Introduction</b>	<b>3</b>
<b>II. Real Estate and Construction Services Contacts</b>	<b>4</b>
<b>III. Leasing of Non-State-Owned Property</b>	
A. New Lease or Relocation	<b>5-6</b>
B. Request for Lease Proposal	<b>7</b>
C. Lease Renewal	<b>8</b>
D. Lease of Additional Space	<b>9</b>
E. Remodeling of Leased Space	<b>10-11</b>
F. Amendment to the Lease	<b>11</b>
G. Parking	<b>11</b>
H. Building Maintenance/Service Problems and Resolution Process	<b>11</b>
I. Other Lease Transactions	<b>12</b>
<b>IV. Leasing of State-Owned Property</b>	
A. Income Leases – Lease of state-owned property to non-state entity	<b>13</b>
B. Departmental Leases – Lease of property under the custodial control of the Department of Administration to State entity	<b>13</b>
<b>V. Statutes Applicable to Leasing</b>	<b>14-17</b>
<b>VI. Definitions</b>	<b>18-20</b>

## ATTACHMENTS

No. 1	Real Estate and Construction Services Funding Information and Certificate of Compliance
No. 2	Request for Proposal – Timeframes
No. 3	Remodeling of Non-State Owned Leased Space at a Cost Between \$2,500.01 - \$8,000
No. 4	Leasing State Property to Third Party (Minnesota Rules, Chapter 1245.0900)
No. 5	Rent Calculation Form for State Bond Financed Property (MS 16A.695)
No. 6	Space Guidelines
No. 7	16A.15 – 16C.05 Form
No. 8	Order Against Tenant Improvement Allowance Form

## I. INTRODUCTION

The Commissioner of the Department of Administration is granted authority to lease:

- non-state owned real property for state agencies in accordance with Minnesota Statutes 16B.24, Subd. 6, except when an agency has been exempted from this statute or has been granted specific authority to lease by the Legislature. The State is the lessee in this transaction. The contract that documents this transaction is a **Commercial Lease**.
- state-owned property, real or personal, that is not needed for public use, if the rental is not otherwise provided for, or prohibited by law in accordance with Minnesota Statutes 16B.24, Subd 5 (a), except when an agency has been exempted from this statute, or has itself been granted specific authority to lease by the Legislature. The State is the lessor in this transaction. The contract that documents this transaction is an **Income Lease**.
- space in certain state-owned buildings to state agencies in accordance with Minnesota Statutes 16B.24, Subd. 5. (e). The contract that documents this transaction is a **Departmental Lease**.

Real Estate and Construction Services (“RECS”) within the Department of Administration holds statewide responsibility for leasing space for most state agencies.

This Real Estate Leasing Guide is designed as a practical guide to the legislatively authorized procedure of leasing space for state agencies. This guide defines the working relationship between the tenant-agency and RECS during the processes of site location, including economic analysis/comparison, space planning, lease negotiation, preparation and execution, in order to meet the agency’s space requirements in the most economical manner. The guide explains the process of resolving leased space-related problems and lease compliance issues, and the manner in which RECS ensures the compliance of leases to applicable policies and procedures and Minnesota Statutes. The applicable Minnesota Statutes are set forth in Section V.

## II. REAL ESTATE AND CONSTRUCTION SERVICES CONTACTS

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Space Management Crystal Bergstrom, Space Planner  
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### III. NON-STATE OWNED PROPERTY - COMMERCIAL LEASES

#### A. NEW LEASE OR RELOCATION

The time frame for processing a lease document is estimated on a case-by-case basis, and is dependent on total square footage leased, amount of time needed for space planning and the extent of needed remodeling or construction. When these specifics are determined, RECS will estimate the time frame.

##### 1. AGENCY/DEPARTMENT/DIVISION (“Agency”)

When an Agency decides that it needs new space or is considering relocation, the designated Agency contact person should provide a written request to the RECS Lease Supervisor. It is helpful to include pertinent information in the Agency’s request; if this information is not known, RECS will assist the Agency to determine the following:

- a. Name, address and telephone number of agency representative;
- b. Space Criteria:
  - Office, storage, laboratory, land or other (hangars, boat slips, etc)
  - Location
  - Length of lease
  - Date space is needed
  - Estimated square footage
  - Parking requirements
  - Access to other agencies
  - Public transportation, freeways, etc.
  - Future expansion needs
  - If land, type of land
- c. Budget constraints/considerations
- d. Funding Information and Certificate of Compliance form completed in accordance with Minnesota Statutes 16B.24, Subd. 6.(a). (This document is required before RECS can commence the lease process -See Attachment No. 1)
- e. Provide encumbrance letter pursuant to Minnesota Statute 16A.15, Subd.3. and/or Minnesota Statute 16C.05, Subdivision 2, if applicable (See Attachment 7).

The Space Management section of RECS provides a *Space Analysis Form* to assist an Agency in the determination of space needs. This form also helps RECS to determine an Agency’s required square footage. At the commencement of space programming, it is helpful to have an organizational chart for the agency or division. It is also helpful to identify the type of furniture to be used in the space, (e.g., traditional, modular or a combination, existing or new). Contact the Space Management section (see page 4) for a copy of the *Space Analysis Form*.

## 2. REAL ESTATE AND CONSTRUCTION SERVICES

In order to find the most economical space that meets the needs and requirements of the Agency, upon receipt of a written request from the designated Agency contact person, RECS shall:

- a. Discuss the request with the Agency;
- b. Prepare a market comparison/analysis of viable options for an Agency's consideration. In conjunction with this review, RECS will verify availability of space in vacant public buildings and in buildings of historical, architectural or cultural significance pursuant to Minnesota Statute. RECS uses the following resources:
  - i. City and Economic Development Agency,
  - ii. Canvas the city for space availabilities,
  - iii. Check with DOT , DNR and MNSCU for availability in their buildings in the area,
  - iv. On-line websites for space availability, and
  - v. Brochures and availabilities received from brokers/landlords in the areas.
- c. Schedule and conduct tours of properties to be considered;
- d. Solicit lease proposals from property owners;
- e. Evaluate proposals, including an economic analysis; and
- f. Make a recommendation to the state agency of a preferred site based on the information collected.

Upon its selection of a site, the Agency provides written documentation to RECS setting forth its reasons for such selection; whereupon RECS shall:

- a. Act as liaison between Agency and lessor;
- b. Coordinate space programming and planning services, including a floor plan layout showing remodeling to be accomplished, an itemized remodeling cost breakdown, and the construction schedule with completion date;
- c. Negotiate the terms and conditions of the lease including rental rate, term of lease, remodeling specifications, review and verify adherence to State space guidelines (see Attachment No. 6), verify square footage, expansion space and parking;
- d. Draft and process the lease.

## 3. Other arrangements to be made by the Agency:

- a. Telecommunications (voice and data)
- b. Furniture and equipment move
- c. Mail distribution
- d. Printed material changes
- e. Recycling program

## **B. REQUEST FOR LEASE PROPOSAL**

1. RECS has found that issuing an RFP results in more competitive rental rates. A Request for Lease Proposal (RFP) is typically issued in one of the following instances:
  - a. A state Agency makes a request for a lease of new space when no existing space meets the Agency's needs; or
  - b. An existing lease of space for 50,000 square feet or more is due to expire, and the existing space needs extensive remodeling.
2. Written Request for Lease of Space from Agency to RECS

An authorized person from the requesting tenant-Agency shall provide Real Estate and Construction Services with a written request to include the following information:

- a. Reason for the request, e.g., lease renewal, additional staff, new programs, etc.;
- b. Funding Information and Certificate of Compliance form for Lease Request form (See Attachment No. 1)
- c. Provide encumbrance letter pursuant to Minnesota Statutes 16A.15. Subd. 3, and/or Minnesota Statute 16C.05, Subdivision 2., if applicable (See Attachment 7)
- d. Requirements applicable to the request:
  - (i) location desired and criteria
  - (ii) estimated square footage or description of other real estate to be leased
  - (iii) space requirements, or other applicable requirements
  - (iv) parking
  - (v) access (to other agencies, public transportation, freeways, etc.)
  - (vi) future growth needs/expansion
  - (vii) length of lease (maximum of ten (10) years)
  - (viii) date space is needed
  - (ix) budget restraints/considerations
  - (x) space planning information
- e. Upon review of the lease request, the Lease Supervisor will determine if the RFP process will be followed. If it is determined that the RFP process would be beneficial, the Space Management section will develop a space program that is made a part of the RFP.
- f. The steps set forth in Attachment 2 will be followed for the RFP process.

## C. LEASE RENEWAL

The estimated time frame for processing a lease renewal is 10 to 12 weeks if the terms and conditions of the lease remain generally the same. More time may be required if remodeling is needed.

### 1. AGENCY/DEPARTMENT/DIVISION (Agency)

When an Agency decides to renew a lease, the designated Agency contact person should provide a written request to the RECS Lease Supervisor. It is helpful to include the following information in the request. If this information is not known, RECS will assist the Agency to determine the information.

- a. Current lease number, address and city of leased premises;
- b. Renewal term desired;
- c. Improvements or remodeling requirements, (e.g., painting, carpeting, wall construction, electrical);
- d. Any problems or concerns regarding the space; this is important to negotiating the most beneficial lease renewal for the Agency;
- e. Additional space requirements, and parking needs, if applicable; and
- f. Provide Funding Information and Certificate of Compliance form completed in accordance with Minnesota Statutes 16B.24, Subd. 6.(a). This document is required before work by RECS can finalize lease negotiations. (See Attachment No. 1).
- g. Provide encumbrance letter pursuant to Minnesota Statute 16A.15, Subd.3. and/or Minnesota Statute 16C.05, Subdivision 2., if applicable (See Attachment 7)

### 2. REAL ESTATE AND CONSTRUCTION SERVICES

RECS will, upon receipt of a written request from the designated Agency contact person:

- a. Discuss the request with the Agency;
- b. Request lease renewal proposal from property owner;
- c. Check the market for viable options for alternative space;
- d. Act as liaison between Agency and lessor;
- e. Negotiate the terms and conditions of the lease, including rental rate, term of lease, remodeling, expansion space and parking; and
- f. Draft and process the lease agreement.

## D. LEASE OF ADDITIONAL SPACE

Estimated time frame for processing: 12 weeks or more, depending upon the amount of space leased and the extent of remodeling needed

### 1. AGENCY/DEPARTMENT/DIVISION (Agency)

When an Agency decides that it needs new space or is considering relocation, the designated Agency contact person should provide a written request to the RECS Lease Supervisor. It is helpful to include pertinent information in the Agency's request; if necessary, RECS will assist the Agency to determine the following:

- a. Current lease number and the reason for the request, (e.g., additional staff, new programs, change in space layout);
- b. Funding Information and Certificate of Compliance form completed in accordance with Minnesota Statutes 16B.24, Subd. 6.(a). This document is required before any work by RECS can commence. (See Attachment No. 1);
- c. List of any improvements/remodeling requirements, (e.g., painting, carpeting, wall construction, electrical), if applicable, or other concerns regarding the space;
- d. Date space is needed; and
- e. Provide encumbrance letter pursuant to Minnesota Statute 16A.15, Subd.3 and/or Minnesota Statute 16C.05, Subdivision 2, if applicable (See Attachment 7).

The Space Management section of RECS provides a *Space Analysis Form* to assist an Agency to determine its space needs. This form also helps RECS to determine the required square footage. When space programming commences, it is helpful to have an organizational chart of the tenant Agency or division. It is also helpful to identify the type of furniture to be used in the space, (e.g., traditional, modular or a combination, existing or new). Contact the Space Management section (see page 4) for a copy of the *Space Analysis Form*.

### 2. REAL ESTATE AND CONSTRUCTION SERVICES

RECS will, upon receipt of a written request from the designated Agency contact person:

- a. Discuss the request with the Agency;
- b. Act as liaison between Agency and lessor;
- c. Obtain square footage and floor plan showing needed remodeling;
- d. Verify square footage;
- e. Review space plan and verify compliance with State space guidelines;
- f. Obtain an itemized cost breakdown for remodeling, if at Agency cost.
- g. Negotiate the rate per square foot and the terms and conditions of the lease amendment
- h. Draft and process the lease.

**E. REMODELING OF CURRENTLY LEASED NON-STATE OWNED SPACE  
(Dollar Amount Limits Revised)**

1. \$2,500.00 or less (only Agency order required):

ACTION	RESPONSIBLE PARTY
a. Obtain cost breakdown and floor plan from lessor	Agency
b. Create a Purchase Order in SWIFT using document type <i>DPO (Document Purchase Order)</i> setting forth lessor as payee	Agency

2. \$2,500.01 through \$8,000.00 (Remodeling Request Memo to RECS is required):

Estimated time frame for processing: 1-2 weeks or more depending upon the information provided on the request memo

ACTION	RESPONSIBLE PARTY
a. Obtain cost breakdown and floor plan from lessor	Agency
b. Create a Purchase Order in SWIFT using document type <i>RMO (Real Estate Remodeling Order)</i> setting forth lessor as payee	Agency
c. Complete the Remodeling Request Memo (See Attachment No. 3). Sign the Request Memo Under the <b>APPROVED (Agency)</b> . The person entering the contract and signing should be different than the person approving on behalf of the Agency.	Agency
d. Forward the original and two (2) copies of the request Agency memo to Real Estate and Construction Services	Agency
e. Review request memo and approve	RECS
f. Forward two (2) copies of the signed request memo to the Agency.	RECS
g. Forward one (1) copy to lessor	Agency

3. \$8,000.01 or more (Lease Amendment required):

Estimated time frame for processing: 6 weeks or more depending upon the extent of the remodeling

Agency provides:

- a. Written request for remodeling including the reason for the request, (e.g., additional staff, new programs, change in space layout)
- b. Funding Information and Certificate of Compliance form (See Attachment No. 1)
- c. In SWIFT, create a Supplier Contract with a contract type of *RMK (Real Estate Remodeling Contract)* with the lessor as payee. Then create a Purchase Order referencing the contract with a document type *KEO (P/T Related Contract Encumbering Order)*.

Real Estate and Construction Services will:

- a. Contact Agency representative to discuss and verify the request
- b. Contact lessor to discuss Agency's request
- c. Request proposal from lessor
- d. Obtain floor plan layout showing remodeling to be accomplished, an itemized cost breakdown for the remodeling and the construction completion date
- e. Obtain Agency's approval of the floor plan layout
- f. Negotiate/verify remodeling, costs and the terms and conditions of the lease amendment
- g. Draft and process lease amendment

**F. AMENDMENT TO THE LEASE** Any other change in lease terms and conditions will require an amendment to the lease of which RECS should be notified in writing as soon as possible. Examples of such a change may be a change in lease commencement or expiration date, or in the level or type of services provided, e.g., security, janitorial services.

**G. PARKING** RECS will negotiate the quantity of stalls needed by the Agency and the correlating cost per stall, if any.

**H. BUILDING MAINTENANCE/SERVICE PROBLEMS AND RESOLUTION PROCESS** When an Agency is experiencing problems such as non-compliance with lease terms and conditions or lack of required repairs and maintenance by the lessor, the Agency should contact RECS as soon as possible. Examples of such issues may be inadequate janitorial service, heating, cooling and air quality, plumbing, roof leaks or lack of maintenance and repairs. Historical documentation by the Agency of these problems is extremely important in order to resolve such issues as well as in future lease renewal negotiations. RECS will contact the lessor to obtain resolution of an issue depending upon the particular issue and will keep the Agency informed of communications.

## I. OTHER TRANSACTIONS

In addition to leases, RECS drafts and processes the following documents:

1. **Transfer of Ownership:** If an Agency receives notification from a lessor that the building has been sold, a copy of the written notification should be forwarded to RECS. RECS will draft and process a Transfer of Ownership of Lease form. This form is acknowledgement by the current and new owner of the building and changes the vendor number on the lease agreement.
2. **Estoppel Certificate/Subordination Agreement:** If a building owner is selling or refinancing a building, the lender typically requests a written statement from each tenant in the building setting forth the current terms and conditions of the lease. If an Agency receives such request, please forward said documents to RECS.
3. **Request for Insurance:** If an Agency receives a request, either verbal or written, for a certificate of insurance, please forward said request to RECS.
4. **Documentation of Tenant Improvement Allowance Usage.** In some leases, an improvement allowance may be provided by the lessor as part of a lease renewal for the tenant to use during the lease/renewal term for such items as remodeling, design work, painting, recarpeting, etc. The process to obtain costs would be no different than any remodeling project. However, the documentation for the deduction of the amount from the improvement allowance is processed via an “Order Against the Tenant Improvement Allowance” (see Attachment 8), which would be drafted and processed for signature by RECS.

## **IV. STATE-OWNED PROPERTY LEASES**

### **A. Income Leases**

1. The Commissioner of Administration is responsible by statute (See Section G, page 16) for preparing and processing leases for use of temporarily surplus state-owned property, e.g., Regional Human Services Centers, Correctional Facilities.
2. If an Agency has approved a request to lease space by a public or private entity, the Agency should send a request in writing to RECS setting forth the type of space to be leased (office, storage), square footage, rate per square foot, term and any other pertinent information.
3. Along with the written request, the Agency should:
  - a. advise as to whether-or-not the building of which the leased premises are a part was purchased or remodeled with bond funds; and
  - b. complete "Leasing State Property to Third Party" form (See Attachment 4
  - c. provide a cost breakdown as to how the rental rate was determined (See Attachment 5)
4. RECS will then draft and process said lease.

### **B. Departmental Leases**

1. The Commissioner of Administration is responsible by statute (See Section G, page 16) for allocating space in buildings in the Capitol Complex, 321 Grove Street, 1430 Maryland Avenue and Ely.
2. If an Agency needs more space, wants to reduce square footage or make any other space changes, i.e., remodeling, RECS should be contacted and notified in writing. Any remodeling required in leased space will be coordinated through the Plant Management Division and RECS. RECS will review the request and process a lease change, as appropriate.
3. An Agency is responsible for rent payments on space occupied from the date of occupancy.
4. Parking in Capitol Area – Contact the Plant Management Division at 651.201.2306 or 201.2307 for assistance.
5. Building issues, such as maintenance and repairs, air quality and remodeling are handled through the Plant Management Division. They should be contacted at 651.201.2300.
6. Lease Renewals – Departmental leases are renewed for a term of 2 years.

## V. STATUTES APPLICABLE TO CONTRACTS

The following statutes must be considered before processing a lease for space.

### A. ENCUMBRANCE

Minnesota Statutes, Chapter 16A.15, Subd. 3. **“Allotment and encumbrance.** A payment may not be made without prior obligation. An obligation may not be incurred against any fund, allotment, or appropriation unless the commissioner has certified a sufficient unencumbered balance in the fund allotment, or appropriation to meet it. An expenditure or obligation authorized or incurred in violation of this chapter is invalid and ineligible for payment until made valid. A payment made in violation of this chapter is illegal. An employee authorizing or making the payment, or taking part in it, and a person receiving any part of the payment, are jointly and severally liable to the state for the amount paid or received. If an employee knowingly incurs an obligation or authorizes or makes an expenditure in violation of this chapter or takes part in the violation, the violation is just cause for the employee’s removal by the appointing authority or by the governor if any appointing authority other than the governor fails to do so. In the latter case, the governor shall give notice of the violation and an opportunity to be heard on it to the employee and to the appointing authority. A claim presented against an appropriation without prior allotment or encumbrance may be made valid on investigation, review, and approval by the commissioner, if the services, materials, or supplies to be paid for were actually furnished in good faith without collusion and without intent to defraud. The commissioner may then draw a warrant to pay the claim just as properly allotted and encumbered claims are paid...”

### B. CREATION AND VALIDITY OF CONTRACTS Minnesota Statutes Section 16C.05, subdivision 2

1. A contract is not valid and the state is not bound by it and no agency, without the prior written approval of the commissioner granted pursuant to subdivision 2a, may authorize work to begin on it unless:
  - a. it has first been executed by the head of the agency or a delegate who is a party to the contract;
  - b. it has been approved by the commissioner [of administration]; and
  - c. the accounting system shows an encumbrance for the amount of the contract liability.
2. The combined contract and amendments must not exceed five years, unless otherwise provided by law. The term of the original contract must not exceed two years unless the commissioner determines that a longer duration is in the best interest of the state.

C. **AUDIT**

Minnesota Statutes, Chapter 16C.05, Subd. 5. **Subject to audit.** A contract or any pass-through disbursement of public funds to a vendor of services or a grantee made by or under the supervision of the commissioner or any county or local unit of government must include, expressed or implied, an audit clause that provides that the books, records, documents, and accounting procedures and practices of the vendor or other party, that are relevant to the contract or transaction, are subject to examination by the contracting agency, and either the legislative auditor or the state auditor as appropriate for a minimum of six years....

C. **LENGTH OF LEASE, TERMINATION, CONSULTING WITH CAPITOL AREA ARCHITECTURAL AND PLANNING BOARD, CONSULTING WITH LEGISLATIVE COMMITTEES, VACANT PUBLIC SPACE, PREFERENCE FOR CERTAIN BUILDINGS AND RECYCLING.** As part of such statute requirements, RECS requires the completion of a Certificate of Compliance in order to comply with item (b) and (c) below.

Minnesota Statutes, Chapter 16B.24, Subd. 6. **“Property rental. (a) Leases.** The commissioner shall rent land and other premises when necessary for state purposes. Notwithstanding subdivision 6, paragraph (a), the commissioner may lease land or premises for up to ten years or less, subject to cancellation upon 30 days written notice by the state for any reason except lease of other nonstate owned land or premises for the same use. The commissioner may not rent nonstate owned land and buildings or substantial portions of land or buildings within the capitol area as defined in section 15.50 unless the commissioner first consults with the capitol area architectural and planning board. If the commissioner enters into a lease-purchase agreement for buildings or substantial portions of buildings within the capitol area, the commissioner shall require that any new construction of nonstate owned buildings conform to design guidelines of the capitol area architectural and planning board. Lands needed by the department of transportation for storage of vehicles or road materials may be rented for five years or less, such leases for terms over two years being subject to cancellation upon 30 days written notice by the state for any reason except rental of other land or premises for the same use. An agency or department head must consult with the chairs of the house appropriations and senate finance committees before entering into any agreement that would cause an agency’s rental costs to increase by ten percent or more per square foot or would increase the number of square feet of office space rented by the agency by 25 percent or more in any fiscal year.

- (b) Use **vacant public space.** No agency may initiate or renew a lease for space for its own use in a private building unless the commissioner has thoroughly investigated presently vacant space in public buildings, such as closed school buildings, and found that none is available or use of the space is not feasible, prudent and cost effective compared with available alternatives.

- (c) **Preference for certain buildings.** For needs beyond those which can be accommodated in state-owned buildings, the commissioner shall acquire and utilize space in suitable buildings of historical, architectural, or cultural significance for the purposes of this subdivision unless use of that space is not feasible, prudent and cost effective compared with available alternatives. Buildings are of historical, architectural, or cultural significance if they are listed on the national register of historic places, designated by a state or county historical society, or designated by a municipal preservation commission.
- (d) **Recycling space.** Leases for space of 30 days or more for 5,000 square feet or more must require that space be provided for recyclable materials.”

#### **D. ENERGY USE**

Minnesota Statutes, Chapter 16B.32, Subd. 2. **“Energy conservation goals; efficiency program** (a)... The goal of the program in this paragraph is to demonstrate that through effective energy conservation the total energy consumption per square foot of state-owned and wholly state-leased buildings could be reduced by at least 25 percent, and climate control energy consumption per square foot could be reduced by at least 15 percent from consumption in the base year of 1990...”

#### **E. ACCESSIBILITY FOR PERSONS WITH DISABILITIES**

Minnesota Statutes, Chapter 326B.106, Subd. 9b. **“Accessibility. (b) Leased space.** No agency of the state may lease space for agency operations in a non state owned building unless the building satisfies the requirements of the state building code for accessibility by persons with disabilities, or is eligible to display the state symbol of accessibility. This limitation applies to leases of 30 days or more for space of at least 1,000 square feet.”

#### **F. HUMAN RIGHTS**

Minnesota Statutes, Chapter 363A.36. **“Scope of application.** For goods and services in excess of \$100,000, no department or agency of the state shall accept any bid or proposal for a contract or agreement or from any business having more than 40 full-time employees within this state during the previous 12 months, unless the firm or business has an affirmative action plan for the employment of minority persons, women, and the disabled individuals submitted to the commissioner of human rights for approval. No department or agency of the state shall execute any such contract or agreement until the affirmative action plan has been approved by the commissioner of human rights. Receipt of a certificate of compliance issued by the commissioner shall signify that a firm or business has an affirmative action plan that has been approved by the commissioner. A certificate shall be valid for a period of two years...”

## G. RENTING OUT STATE PROPERTY

### Minnesota Statutes, Chapter 16B.24, Subd.5

- (a). **“Authority.** The commissioner may rent out state property, real or personal, that is not needed for public use, if the rental is not otherwise provided for or prohibited by law. The property may not be rented out for more than five years at a time without the approval of the state executive council and may never be rented out for more than 25 years....”
  
- (d) **“Lease of space in certain state buildings to state agencies.** The commissioner may lease portions of the state-owned buildings under the custodial control of the commissioner to state agencies and the court administrator on behalf of the judicial branch of state government and charge rent on the basis of space occupied....”
  
- (e) **“Lease of space in Andersen and Freeman buildings.** The commissioner may lease space in the Elmer L. Andersen and Orville L. Freeman buildings to state agencies and charge rent on the basis of space occupied...”

## VI. DEFINITIONS

**Agency:** In accordance with Minnesota Statute 16B.01, Subd.2., an agency means “Any state office, employee, board, commission, authority, department or other agency of the executive branch of state government...”

**Amendment:** a contract document, signed by lessor and lessee, and attached to a lease, that describes agreed-upon changes to the lease in said items such as rent, length of occupancy, or other rights and obligations of the parties.

**As-is:** The existing condition of real estate, prior to any improvements contemplated under a lease.

**Buildout:** Refers to the interior construction of a lessee’s space whether new construction or the remodeling of the existing space. Also referred to as “Leasehold Improvements”.

**Demising wall:** The wall, which separates a lessee’s space from another lessee’s space, or building common areas.

**Gross lease:** Commonly specifies one rental amount including all operating expenses, e.g., rent, taxes, insurance, utilities, maintenance, etc. associated with the rental of a property. State leases are gross leases.

**HVAC:** Acronym for heating, ventilation and air conditioning.

**Landlord:** See “Lessor”.

**Lease agreement:** The contract between lessor and lessee where lessor grants the use of the Leased Premises to lessee under certain conditions, including the condition of a limited period of occupancy, which are defined in the contract.

**Lease commencement date:** The date upon which the lease commences and the obligations of the parties begin (see also “rent commencement date” Rent payment date may differ from lease commencement and occupancy date).

**Lease term:** The duration of time from the lease commencement date through the expiration or early termination date.

**Leased premises:** In commercial real estate, the description of the leasehold and the specific square footage for which the parties enter into a lease; the space that is leased.

**Leasehold Improvements:** Improvements made to the leased premises for the lessee. Improvements permanently attach to the premises unless they are trade fixtures, and they remain with the premises after the end of term of the lease.

**Lessee:** The user of the space, often referred to as the “tenant”. The State of Minnesota, Department of Administration, is the lessee, acting for the benefit of a state agency.

**Lessor:** The owner of the space, or the owner’s representative. The State is the lessor, renting out State-owned space to outside parties through the use of Income leases.

**Partition wall:** A wall constructed to create work areas such as offices or conference rooms within the space, as is distinct from the demising walls that encircle the space.

**Punch list:** A list of incomplete remodeling items or construction items which are unacceptable to the lessee, which upon remedy and completion will usually complete the obligations of the contractor under a construction contract. It is the lessor’s responsibility to satisfy the lessee’s concerns and motivate the contractor to correct all the items on the punch list.

**Remodeling Request Memo:** a procedure through which lessee may contract directly with the lessor for limited construction or remodeling work, without having Real Estate and Construction Services amend the lease agreement.

**Real estate broker:** A person licensed to act as an agent for another person or business to negotiate a lease or purchase of a leasehold or property, respectively, for a fee.

**Renewal option:** Lease language allowing lessee to give lessor notice of intent to extend the lease beyond its original term, and the process and terms under which the lease may be extended. Renewal options are not included in every lease agreement.

**Rent commencement date:** The date upon which the rent begins. Can be different from the lease commencement date and occupancy date.

**Sublease/sublessor/sublessee:** A sublease is created when a lessee contracts for a third party to use some or all of the leased premises, with the lessor's approval. The relationship between the lessor (property owner) and lessee (property user) remain unchanged. The Lessee assumes the dual roles of lessee and sublessor to the third party. The third party becomes the sublessee, the tenant that is subordinate to, or under, and the lessee.

**Substantial completion:** The point during construction at which the contractor is ready to turn the property over to the lessee or client for acceptance and final punch list. Usually occurs upon the issuance of a certificate of occupancy.

**Legal description:** A description of the exact location of a piece of real estate, usually including reference to government records kept for this purpose, such as abstract or Torrens records. Legal descriptions are used to describe the lessor's property, of which the leased premises may be one part.

**Tenant:** See "Lessee".

**Usable square feet:** Usable square feet is computed by measuring the inside finished surface of exterior walls to the inside finished surface of building corridor and other permanent walls or to the center of walls separating the Leased Premises from other tenant space. If more than 50% of an exterior wall is glass, the dimension is taken from the glass line. Vertical shafts, elevators, stairwells, dock areas, mechanical rooms, and utility and janitor rooms are excluded. Restrooms, corridors, lobbies and receiving areas, which are accessible to the general public or used in common with other tenants are also excluded. No deductions are made for columns, pilasters or other projections to the building if each is less than four (4) square feet.



**REAL ESTATE AND CONSTRUCTION SERVICES  
FUNDING INFORMATION AND CERTIFICATE OF COMPLIANCE**

**Funding information:**

Agency: #	Fund #	Vendor Number:
Fin Dept ID #	Appropriation ID #	

**Certificate of Compliance:**

Minnesota Statutes §16B.24, Subd. 6(a) states in part:

"...An agency or department head must consult with the chairs of the house appropriations and senate finance committees before entering into any agreement that would cause an agency's rental costs to increase by ten percent or more per square foot or would increase the number of square feet of office space rented by the agency by 25 percent or more in any fiscal year."

The undersigned certifies to the following on behalf of the \_\_\_\_\_ with respect to **Lease No. \_**  
\_\_\_\_\_

LEASED PREMISES:

LESSOR:

(Check either A or B as applicable)

\_\_\_ A. The lease will not cause the agency's rent costs to increase by ten percent (10%) or more per square foot nor will the lease increase the number of square feet of office space rented by the agency by twenty-five percent (25%) or more in any fiscal year.

\_\_\_ B. The lease will cause the agency's rental costs to increase by ten percent (10%) or more per square foot or will increase by twenty-five percent (25%) or more the number of square feet of office space rented by the agency.

If B is checked, the undersigned certifies that the agency or department head has consulted with the chairs of the house appropriations and senate finance committees as required by Minnesota Statutes, §16B.24, Subd. 6 (a) before entering into this lease.

Authorized \_\_\_\_\_ Signature: \_\_\_\_\_  
\_\_\_\_\_

Date

Title: \_\_\_\_\_

Agency/Department: \_\_\_\_\_

Return to: REAL ESTATE AND CONSTRUCTION SERVICES  
309 Administration Building  
50 Sherburne Avenue  
St. Paul, Minnesota 55155  
FAX: 651.215.6245

ATTACHMENT NO. 1

**REQUEST FOR LEASE PROPOSAL  
TIMEFRAMES**

<u><b>ACTION</b></u>	<u><b>RESPONSIBLE PARTY</b></u>	<u><b>TIMEFRAME</b></u>
1. Submit request to commence Request for Proposal (RFP) process; including funding information	Agency	
2. Preparation of Request for Proposal (RFP)	RECS/Agency	6 weeks
a. Develop criteria		
b. Space programming		
c. Send draft RFP to Agency		
3. Send comments to RECS for review/revisions	Agency	2 weeks
4. Send final draft RFP to Agency for approval	RECS	1 week
5. Send approval of RFP to RECS	Agency	1 week
6. Finalize RFP	RECS	1 day
7. Advertise RFP	RECS	4 weeks
8. Proposals due	Proposers	4 weeks from last advertising date
9. Evaluate proposals	RECS/Agency	3 weeks
a. evaluate responses		
b. review floor plans		
c. request clarifications, if needed		
d. complete economic analysis		
e. develop list of questions, concerns and issues regarding each proposal		
f. schedule and conduct proposal presentations		
g. schedule site tours		
h. present comparative analysis of proposals		
10. Proposal recommendation	RECS/Agency	1 week
11. Finalize floor plans	RECS/Agency/Proposer	4 weeks
12. Negotiate and finalize lease	RECS	4 weeks (concurrently with space planning)
13. Execute lease	RECS/Agency/Lessor	2 weeks
14. Renovate/remodel	Lessor	6 mths
Construct		1 year
15. Move-in	Agency	
	TOTAL	Remodel 1 year Construct 2 years

ATTACHMENT NO. 2



**REMODELING REQUEST MEMO**

**DATE:**

**TO:** Susan Estes, Lease Supervisor  
Real Estate and Construction Services  
Administration Building, Room 309

**FROM:**

**SUBJECT:** REMODELING OF NON-STATE OWNED LEASED SPACE AT A COST BETWEEN \$2,500.01 - \$8,000

LEASE NO. \_\_\_\_\_

ADDRESS: \_\_\_\_\_

This is to request approval to remodel space including but limited to as follows: \_\_\_\_\_ and per the attached floor plans and specifications. Lessor will complete the remodeling by \_\_\_\_\_. The total amount for construction is \_\_\_\_\_.

**APPROVED:** \_\_\_\_\_ (Agency)

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Contract Entered by: \_\_\_\_\_  
Date

**APPROVED: DEPARTMENT OF ADMINISTRATION**

By: \_\_\_\_\_  
Real Estate and Construction Services  
Date: \_\_\_\_\_

c: Agency  
Lessor  
Real Estate and Construction Services

ATTACHMENT NO.3

**State of Minnesota**  
**Department of Administration**  
**Real Estate and Construction Services**

**Leasing State Property to Third Party**

Minnesota Rules, Chapter 1245.0900 governs the leasing out of state-owned real property that is temporarily not needed by the state.

Subpart 3 of the rules requires a bid process resulting in the property being leased to the highest bidder, consistent with the state's intended use and management of the property.

Subpart 4 of the rules sets forth grounds for not using the bidding process. If it is determined that one or more of the following circumstances exist, the bid process shall not be used.

- \_\_\_\_\_ There is only one interested party that can feasibly use the property
- \_\_\_\_\_ Factors other than bid price, such as maintenance of the property are paramount
- \_\_\_\_\_ The contemplated rental term is of short duration
- \_\_\_\_\_ Other governmental entities have expressed the desire to lease the property
- \_\_\_\_\_ Factors exist which make the taking of competitive bids impractical or not in the best interest of the State of Minnesota

If your agency has determined that one of the above circumstances exists, please check the appropriate line next to the applicable circumstance and attach an explanation of how the determination was made for the leasing of \_\_\_\_\_ located at \_\_\_\_\_

APPROVAL:  
Department of \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

APPROVAL  
Real Estate and Construction Services

By \_\_\_\_\_  
Lease Supervisor

Date \_\_\_\_\_

ATTACHMENT NO. 4

**RENT CALCULATION FORM  
STATE BOND FINANCED PROPERTY (MS §16A.695)**

**LEASE NO.:** \_\_\_\_\_ **or NEW LEASE** \_\_\_\_\_

**AGENCY NAME:** \_\_\_\_\_

**PROPERTY NAME:** \_\_\_\_\_

**PROPERTY LOCATION:** \_\_\_\_\_

Was the building/land of which the leased premises are a part purchased with bonded funds?

Yes \_\_\_\_\_ No \_\_\_\_\_

Was the building/land of which the leased premises are a part remodeled or improved with bonded funds?

Yes \_\_\_\_\_ No \_\_\_\_\_

**PLEASE COMPLETE THE FOLLOWING:**

1. Operating Costs \_\_\_\_\_ Total Usable Building Square Footage \_\_\_\_\_  
Provide a breakdown of expenses:

Utilities: \_\_\_\_\_  
Janitorial: \_\_\_\_\_  
Repairs: \_\_\_\_\_  
Maintenance: \_\_\_\_\_  
Snowplowing: \_\_\_\_\_  
Groundskeeping: \_\_\_\_\_  
Bldg Depreciation: \_\_\_\_\_  
Bond Interest: \_\_\_\_\_  
**SUBTOTAL** \_\_\_\_\_  
Administrative Fee (10%) \_\_\_\_\_

**TOTAL** \_\_\_\_\_

**Are any utilities separately metered and paid directly by tenant?** \_\_\_\_\_

**Operating Costs ÷ Total Building Usable Square Feet = Rate Per Square Foot** \_\_\_\_\_

2. Cite and attach copy of the statute by which the agency is authorized to expend monies to operate and maintain the facility: MS§ \_\_\_\_\_

3. Is Lessee's purpose of use for a government program? YES \_\_\_\_\_ NO \_\_\_\_\_

4. Is Lessee's purpose of use authorized by state law? YES \_\_\_\_\_ NO \_\_\_\_\_

5. If **YES** is checked in either No. 4 or 5, please provide the following information:

a. Cite and attach the corresponding statute: MS§ \_\_\_\_\_

What is the purpose/description of Lessee's program: \_\_\_\_\_

Completed by \_\_\_\_\_

Date: \_\_\_\_\_

ATTACHMENT NO. 5



## Space Guidelines

### Introduction

The State of Minnesota is responsible for a wide variety of functions and state business that is matched with an equally diverse set of workplace conditions. These workplaces can be a valuable asset for producing the state's business. These workplaces are also composed of a wide range of employees and work styles as well as a mixed set of technology applications. The purpose of these guidelines is to define workplace standards that help improve workplace productivity, address workplace safety issues, help leverage real estate assets, help reduce workplace expenses and help align workplace functions with space types, technology and workstations.

Today's workplaces are dynamic and faced with pressures for improved productivity and performance. The complexity of variables that can be adjusted to help improve workplace productivity is dependent on the resources and composition of each work group as well as the management practices and workplace standards that establish the right setting. Some of these variables include:

- Technology
- Workgroup culture
- Workgroup functions
- Workgroup demographics
- Workstation standards
- Churn rate
- Turnover and employee attrition
- Management practices
- Multipurpose spaces
- Ergonomics
- Collaborative work environments
- Thermal comfort
- Acoustic privacy
- Security
- Workplace protocols

### Purpose

Space Guidelines and the design process for individual workspace and support space are intended to provide the employee and the entire agency adequate space to work efficiently and safely. Additionally, space guidelines can be utilized to create an environment supportive of Flexible Work Environments. Flexible Work Environments provide a workplace dedicated to improving productivity and well-being of the employee as well as a reduction in overall real estate costs.

ATTACHMENT NO. 6

Instead of designing a workspace based on job title, position description or specifically for one individual, Flexible Work Environments are designed to include a variety of workspaces to be used by any employee. The Flexible Workspace challenges the notion that one workstation equals one employee. Every workstation, conference room seat, and open collaborative space is counted as a workspace. Employees can choose a workspace that allows them to work most efficiently by taking into consideration individual work styles and job tasks. Flexible Work Environments plan for:

- Quiet work zones
- High energy environments
- Thermal comfort
- Adjustability
- Daylight views
- Storage requirements
- Meeting rooms
- Collaborative work areas
- Working from home
- Working outside the office (other office buildings, coffee shop, library, etc.)

### **Footprint Guidelines for Individual Spaces**

The typical workstation for a Resident Employee is based on a 6' x 8' workstation. The typical workstation for Mobile Employees (Free Address / Flexible Workspace) is based on a 6' x 6' workspace. Typical panel heights range from 39" to 53" to allow access to daylight views. The typical private office is based on a 10' x 12' space. Private offices should be located along interior walls.

The workstation and private office layout is subject to variation depending on the task and functions unique to the job, agency and the complete workspace. Features of the physical space (existing walls, column size and configuration, the spacing of windows, location of mechanical vents, office workflow requirements, etc.) are taken into account and may prevent exact adherence to the workstation and/or private office layout. Certain tasks and functions may also require alternative design solutions.

### **Support Space**

Agencies may require additional spaces not considered individual work areas. These are often used for equipment and other functions. Conference rooms, collaborative areas, reception space, file areas, and shared work areas are examples.

Allowances for support space are calculated independently of individual work areas. There are no specific square footage guidelines for these areas as each can be unique in its own right dependent on the agency's needs and space availability. During the Space Programming phase of the project, support space and individual work areas are incorporated.

Reduction in the duplication of spaces that could be shared, either within the Agency or with others in the same building, is encouraged. Sharing conference rooms, lunch areas, and training rooms can effectively reduce costs and improve space use efficiencies.

### **Special Use Areas**

Spaces for special use, such as laboratory space, library space, and concentrated filing systems are estimated by using specialized industry standards. Distributors, manufacturers and/or representatives of this equipment can provide information on space or any other requirements particular to the equipment.

### **Unfinished Storage**

Separate storage rooms for the bulk storage of furniture, equipment, file retention and supplies, are considered after evaluating the agency's space needs and taking into consideration warehousing techniques and options.

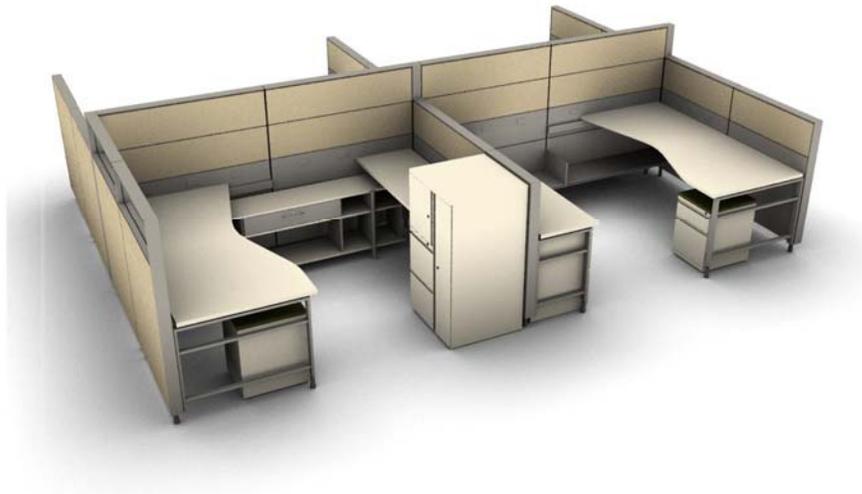
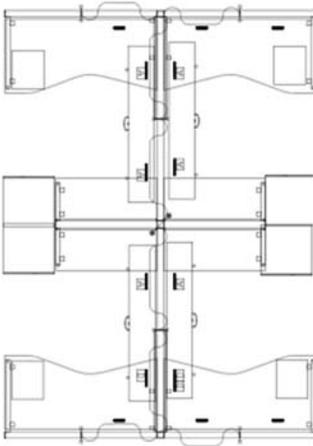
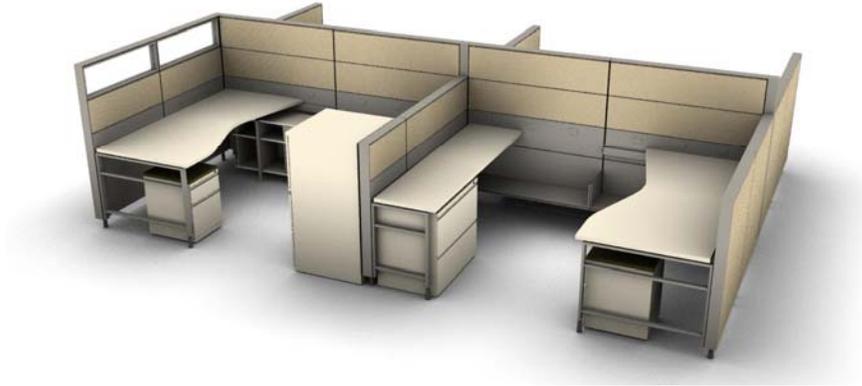
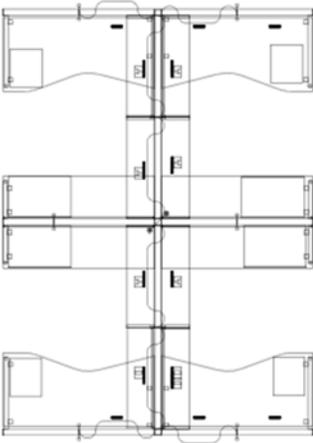
### **Circulation Space**

Circulation space (hallways and corridors) is required for the movement of people and equipment. There are no specific square footage guidelines for circulation. It is determined by the space available, features of the space (i.e. existing walls, columns, window and mechanical locations, etc.), workflow requirements, and furniture layouts. Circulation space must adhere to all state and local codes, such as exiting, and ADA accessibility requirements.

## Workstation Typicals

### Resident Workstation 6'-0" x 8'-0"

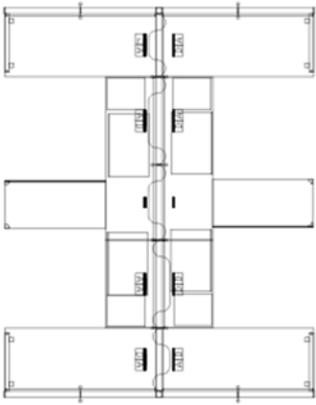
Workstation is designed to provide individual workspace and storage comparable to the previous standard 8' x 8' workstation.



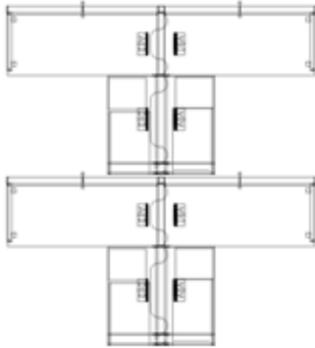
*Herman Miller, Grand Rapids, MI and Intereum Partners, Plymouth, MN has provided images.*

### Free Address / Mobile Workstation 6'-0" x 6'-0"

**Option A1** - A shared work surface provides a collaborative workspace.



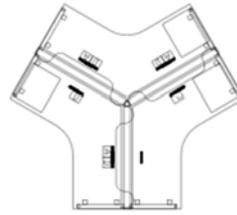
**Option A2** – Workstations are designed to provide individual workspaces.



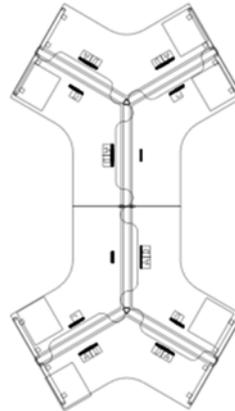
*Herman Miller, Grand Rapids, MI and Intereum Partners, Plymouth, MN has provided images.*

**Free Address / Mobile Workstation 6'-0" x 6'-0"**

**Option B1** – Workstations are designed to provide an individual workspace. The 120° work surface accommodates the natural reach zones.



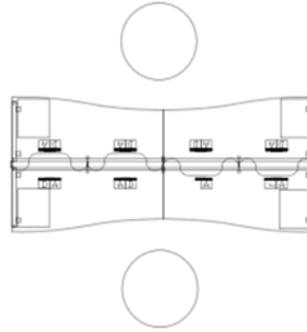
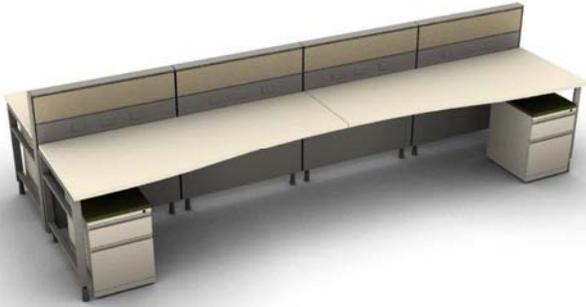
**Option B2** – Workstations are designed to provide a collaborative workspace that can be modified to create a bullpen configuration. The 120° work surface accommodates the natural reach zones.



*Herman Miller, Grand Rapids, MI and Intereum Partners, Plymouth, MN has provided images.*

**Free Address / Mobile Workstation 6'-0" x 6'-0"**

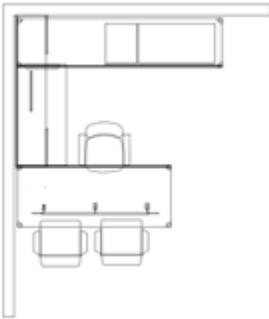
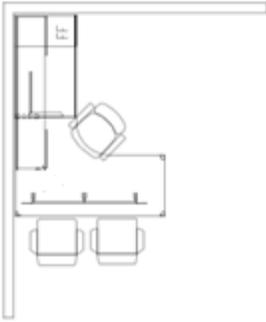
**Option C (with or without freestanding table)** – Workstations are designed for either collaborative or individual work.



*Herman Miller, Grand Rapids, MI and Intereum Partners, Plymouth, MN has provided images.*

### **Private Office 10'-0" x 12'-0"**

The private office is designed to provide individual or collaborative workspace for 2-3 people. Larger meetings can be accommodated in conference rooms or open meeting areas.



**16A.15-16C.05 Form**

(Based on Minnesota Statutes Sections 16A.15 and 16C.05)

Department of \_\_\_\_\_ Division of \_\_\_\_\_

Contract # \_\_\_\_\_ Vendor Name \_\_\_\_\_

Submit two copies when processing the contract.

**I. NO OBLIGATION INCURRED PRIOR TO ENCUMBRANCE OR CONTRACT EXECUTION**

(Minn. Stat. §§ 16A.15, subd. 3 and 16C.05, subd. 2)\*

I certify that work has not started as of \_\_\_\_\_ and **will not begin until this contract is fully executed.**

Person Responsible: \_\_\_\_\_ Date: \_\_\_\_\_

**II. OBLIGATION INCURRED PRIOR TO ENCUMBRANCE** (Minn. Stat. § 16A.15, subd. 3)\*

Total Contract Amount \$ \_\_\_\_\_ Obligation Date \_\_\_\_\_ (when work started)

Reason why obligation was incurred before contract was encumbered:

What corrective action will be taken to prevent the problem from happening in the future?

\_\_\_\_\_ Date: \_\_\_\_\_ \_\_\_\_\_ Date:

Person Responsible

Agency Head or Delegate

\_\_\_\_\_ Date: \_\_\_\_\_

Agency Accounting Director

ATTACHMENT NO. 7  
(3 PAGES)

**III. OBLIGATION INCURRED PRIOR TO CONTRACT EXECUTION (Minn. Stat. § 16C.05, subd. 2)\***

Work on this contract started as of \_\_\_\_\_.

Reason why contract was not fully executed prior to begin date:

What corrective action will be taken to prevent the problem from happening in the future?

\_\_\_\_\_  
Person Responsible

Date: \_\_\_\_\_

\_\_\_\_\_  
Agency Head or Delegate

Date: \_\_\_\_\_

<sup>404</sup> \* See next page for text of Minn. Stat. § 16A.15, subd. 3 and Minn. Stat. § 16C.05, subd. 2

## 16A.15-16C Memo, page 2

Minnesota Statutes Section 16A.15, subdivision 3 (emphasis added)

### Allotment and encumbrance

(a) A payment may not be made without prior obligation. An obligation may not be incurred against any fund, allotment, or appropriation unless the commissioner [of finance] has certified a sufficient unencumbered balance or the accounting system shows sufficient allotment or encumbrance balance in the fund, allotment, or appropriation to meet it. . . . An expenditure or obligation authorized or incurred in violation of this chapter is invalid and ineligible for payment until made valid. A payment made in violation of this chapter is illegal. An employee authorizing or making the payment, or taking part in it, and a person receiving any part of the payment, are jointly and severally liable to the state for the amount paid or received. If an employee knowingly incurs an obligation or authorizes or makes an expenditure in violation of this chapter or takes part in the violation, the violation is just cause for the employee's removal by the appointing authority or by the governor if an appointing authority other than the governor fails to do so. A claim presented against an appropriation without prior allotment or encumbrance may be made valid on investment, review, and approval by the commissioner [of finance], if the services, materials, or supplies to be paid for were actually furnished in good faith without collusion and without intent to defraud.

Minnesota Statutes Section 16C.05, subdivision 2 (emphasis added)

### Creation and validity of contracts

(a) **A contract is not valid and the state is not bound by it and no agency, without the prior written approval of the commissioner granted pursuant to subdivision 2a, may authorize work to begin on it unless:**

- (1) it has first been executed by the head of the agency or a delegate who is a party to the contract;
- (2) it has been approved by the commissioner [of administration]; and
- (3) the accounting system shows an encumbrance for the amount of the contract liability.

(b) the combined contract and amendments must not exceed five years, unless otherwise provided by law. The term of the original contract must not exceed two years unless the commissioner determines that a longer duration is in the best interest of the state.

STATE OF MINNESOTA

ORDER AGAINST TENANT IMPROVEMENT ALLOWANCE NO. \_\_\_\_\_

Lease No. \_\_\_\_\_

AGENCY: \_\_\_\_\_

LOCATION: \_\_\_\_\_

LESSOR and LESSEE hereby acknowledge that improvements to the Leased Premises of which summary and detail are attached hereto as \_\_\_\_\_ were approved in advance by LESSEE, satisfactorily completed or to be completed by LESSOR, and are therefore eligible for deduction from LESSEE'S Tenant Improvement Allowance ("TIA") granted pursuant to \_\_\_\_\_ to Lease \_\_\_\_\_, resulting in the following adjusted credit balance of the TIA:

**Beginning Credit Balance of Improvement Allowance Pursuant to Clause \_\_\_ of Lease \_\_\_\_:**

Deduct Per this Order Against Tenant Improvement Allowance \_\_\_\_\_

**Adjusted Credit Balance of Improvement Allowance:**

IN WITNESS WHEREOF, the parties have set their hands on the date(s) indicated below intending to be bound thereby.

LESSOR:

XXXXX

*Lessor certifies that the appropriate person(s) have executed the Lease Agreement on behalf of Lessor as required by applicable articles, bylaws, resolutions or ordinances.*

By

\_\_\_\_\_

Title

\_\_\_\_\_

Date

\_\_\_\_\_

By

\_\_\_\_\_

Title

\_\_\_\_\_

Date

\_\_\_\_\_

LESSEE:

STATE OF MINNESOTA

DEPARTMENT OF ADMINISTRATION

COMMISSIONER

By

\_\_\_\_\_

Real Estate and Construction Services

Date

\_\_\_\_\_

APPROVED:

STATE OF MINNESOTA

DEPARTMENT OF XXXXX

By

\_\_\_\_\_

Title

\_\_\_\_\_

Date

\_\_\_\_\_