Tennessee Comptroller of the Treasury

Jason E. Mumpower
Comptroller

TENNESSEE STATE SCHOOL BOND AUTHORITY

JULY 22, 2024

AGENDA

1. Call meeting to order, establish that there is a physical quorum, and receive public comment on actionable agenda items in accordance with 2023 Public Chapter 300 and Board guidelines
2. Approval of minutes from the May 14, 2024, meeting
3. Consideration and approval of the Tennessee State School Bond Authority Debt Management Policy
4. Consideration and approval of the Resolution to Approve the Borrowing of Money by Another Method for University of Tennessee Health Science Center – Corporate Quarters Lease
5. Consideration and approval of the Resolution to Approve the Borrowing of Money by Another Method for University of Tennessee Institute for Public Service – Capitol Blvd Building Lease
6. Consideration and approval of the Resolution to Approve the Borrowing of Money by Another Method for University of Tennessee Institute for Public Service – Polk Ave Lease
7. Report on Tennessee State School Bond Authority Bond and Revolving Credit Facility Indebtedness
8. Adjourn

TENNESSEE STATE SCHOOL BOND AUTHORITY
May 14, 2024

The Tennessee State School Bond Authority (the "TSSBA", or the "Authority") met on Tuesday, May 14, 2024, at 3:13 p.m., CT, in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable David H. Lillard, Jr., State Treasurer, was present and presided over the meeting.

The following members were physically present:

William Wood, proxy for the Honorable Jason Mumpower, Comptroller of the Treasury
The Honorable Tre Hargett, Secretary of State
Commissioner Jim Bryson, Department of Finance and Administration
Randy Boyd, President, University of Tennessee
Angela Scott, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following member was absent:

The Honorable Bill Lee, Governor

Treasurer Lillard recognized a physical quorum present and called the meeting to order. In accordance with Public Chapter 300 and Board guidelines, Treasurer Lillard asked Ms. Sandi Thompson, TSSBA Assistant Secretary and Director of the Division of State Government Finance (SGF), if any requests for public comment had been received. Ms. Thompson responded that no requests for public comment had been received.

Treasurer Lillard stated that the first item on the agenda was the consideration and approval of the minutes from the March 25, 2024, meeting of the Authority. Treasurer Lillard asked if there were any questions or discussion regarding the minutes. Hearing none, Treasurer Lillard asked for a motion to approve the minutes. Commissioner Bryson moved approval of the minutes., and Secretary Hargett seconded the motion. Treasurer Lillard took the vote, and the minutes were unanimously approved.

Treasurer Lillard stated the next item on the agenda was the consideration and approval of A Resolution Authorizing and Providing with Respect to Revolving Credit Agreement, Loans and Promissory Notes, and Related Matters. Treasurer Lillard recognized Ms. Thompson to present the Resolution. Ms. Thompson stated the current commitment with the existing banks expires on May 31, 2024. Ms. Thompson stated that a negotiated and finalized credit agreement on behalf of the Authority with Bank of America, N.A., with a closing date of May 31, 2024, was included in their packets. Ms. Thompson added that the commitment amount is not to exceed $300 million, however, Bank of America, N.A., agreed to the Authority's request for an initial commitment amount of $200 million with the option to increase as needed. Ms. Thompson stated the commitment on the closing date would be $200 million, resulting in cost savings to the authority of approximately $250,000 annually. Ms. Thompson stated the resolution being presented for approval and adoption as of May 14, 2024, authorizes the replacement revolving credit agreement in its substantially final form. Ms. Thompson stated that TSSBA staff recommends the Authority approve the resolution as presented. Commissioner Bryson moved approval of the resolution and President Boyd seconded the motion. Treasurer Lillard took the vote, and the resolution was unanimously approved.

Treasurer Lillard stated that concluded the business on the agenda. Treasurer Lillard made a motion to adjourn, and Secretary Hargett seconded the motion. Treasurer Lillard took the vote, and the meeting was adjourned.

Approved on this _____ day of __________, 2024.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

TENNESSEE STATE SCHOOL BOND AUTHORITY

DEBT MANAGEMENT POLICY

Prepared by:
Division of State Government Finance

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Debt Management Policy

Introduction

The Tennessee State School Bond Authority (the "Authority"), created in 1965 under the Tennessee State School Bond Authority Act (the "Act"), Sections 49-3-1201 *et seq*., Tennessee Code Annotated ("TCA"), is a corporate governmental agency and instrumentality of the State of Tennessee whose purpose is to finance revenue generating capital projects for public institutions of higher education located in Tennessee ("Higher Education Institutions") by issuing bonds and notes of the Authority and to finance projects approved pursuant to the Qualified School Construction Bond Program ("QSCB")(federal government program for local education agencies).

The Authority has financed a variety of revenue generating higher education projects including but not limited to dormitories, athletic facilities, parking facilities and major equipment purchases. These projects stand in contrast to non-revenue generating capital projects for basic academic needs such as classrooms and libraries that are funded from the proceeds of the State's general obligation bonds.

QSCB projects include construction of new schools, renovation, and rehabilitation of existing schools, as well as purchase of land and equipment for use in qualified projects.

The Division of State Government Finance (SGF) serves as staff to and performs certain duties and functions for and at the direction of the Authority. SGF is responsible for managing the debt of the Authority, including the issuance of all bonds and notes and the repayment of such debt. The Director of SGF serves as the Assistant Secretary to the Authority.

Purpose

A debt management policy is established to provide written guidance for a government regarding: the amount and type of debt that may be issued, the debt issuance process, management of the debt portfolio, the investment of bond proceeds, and compliance with regulatory authorities. A debt management policy tailored to the needs of the Authority: (1) identifies policy goals and demonstrates a commitment to long-term financial planning (2) assists the Authority in its decisions concerning debt issuance; and (3) provides justification for the issuance and structure of the debt. The Authority's compliance with its debt management policy indicates to the rating agencies and the capital markets that the Authority is well managed with the ability to meet its obligations in a timely manner.

Annual costs related to debt are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the Authority to manage its debt programs in line with those resources.

The QSCB program is limited to the amounts allocated by the federal government. The Authority adopted the Qualified School Construction Bonds General Bond Resolution on November 5, 2009, authorizing the issuance of QSCBs thereunder from time to time pursuant to Supplemental Resolutions. The Tax Cuts and Jobs Act, passed in December 2017, repealed the issuance of tax credit bonds, including QSCBs.

This policy applies to the QSCB program for purposes of Debt Maintenance and Federal Regulatory Compliance and Continuing Disclosure.

Goals and Objectives

The Authority has established this Debt Management Policy (the "Policy") as a tool to ensure that financial resources are adequate to meet the Authority's long-term debt program and financial planning. In addition, this Policy helps to ensure that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its long-term capital needs.

A. The goals of this Policy

- To document responsibility for the oversight and management of debt related transactions;
- To define the types of debt approved for use within the constraints established by the General Assembly;
- To define and establish the criteria for the issuance of debt;
- To define the appropriate uses of debt;
- To define and establish the criteria for evaluating refunding candidates or alternative debt structures; and
- To establish certain parameters to minimize the cost of issuing and servicing debt

B. The objectives of this Policy

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal, financial, and administrative limitations on the issuance of debt;
- To ensure appropriate legal use of the Authority's debt issuance authority;
- To ensure the Authority maintains appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the Authority's credit rating;
- To evaluate and consider all possible debt issuance options;
- To create and maintain transparency throughout the debt issuance and management process;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- To comply with Federal Regulations. Laws of the state and generally accepted accounting principles ("GAAP").

Debt Management

A. Purpose and Use of Debt Issuance

- Debt is to be issued pursuant to the Act, as amended, and the Higher Educational Facilities Second Program General Bond Resolution (adopted by the Authority on April 27, 1998 authorizing the issuance of Higher Educational Facilities Second Program Bonds from time to time by Supplemental Resolutions).
- Debt may be used to finance capital projects identified in the Financing Agreements between the Authority and (i) the Tennessee Board of Regents of the State University and Community College System ("TBR") and (ii) the Board of Trustees of the University of Tennessee ("UT").
- Debt may be used to finance project costs which include all direct capital costs and indirect capital costs of projects, including but not limited to costs of construction and acquisition, costs of issuance of debt, funded interest on debt, and amounts to fund or replenish reserves, if and to the extent approved by the Authority.

- In compliance with Article II, Section 24 of the Tennessee Constitution, no budgeted current operational expenditures (including internal employee labor) shall be reimbursed with debt proceeds unless such debt is retired/repaid within the fiscal year of issuance.
- Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs as authorized by the Authority.
- Bonds may be issued to refund outstanding debt.

B. Debt Capacity Assessment

- The debt capacity of the Authority is partially reliant on the debt capacity of the Higher Education Institutions. Due to this reliance, this Policy requires the assessment of the debt capacity of the Higher Education Institutions on a project-by-project basis as each project is presented for approval. Debt capacity of each project is based on debt service coverage, which measures the actual coverage for annual debt service payments from the annual pledged revenue. The Authority periodically reviews that the gross revenues (fees and charges) of each Institution are no less than two times the amount required for the payment of the annual financing charges. For a project to be approved for debt funding, it must have revenues sufficient to cover the annual debt service.
- Bond anticipation notes are limited to the amount stated in the related Resolution and/or Credit Agreement.

C. Federal Tax Status

- **Tax-Exempt Debt** – The Authority will use its best efforts to maximize the amount of debt sold as tax-exempt based on the following assumptions:
  - that tax-exempt interest rates are lower than taxable rates, and
  - that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and constraints on investment of debt proceeds.
- **Taxable Debt** – The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt. However, the Authority may finance taxable projects within the permitted limits of tax-exempt financings whenever possible.

D. Legal Limitations on the Use of Debt

- Pursuant to Tenn. Code Ann. § 47-3-1207(d)(4), limitations on the purpose to which the proceeds of sale of bonds or notes may be applied are contained in the resolution or resolutions authorizing the bonds or notes.
- No debt may be issued for a term that is longer than the useful life of the capital project it is funding.

E. Security

The Higher Educational Second Program bonds and notes constitute special obligations of the Authority payable solely from the sources provided in the Second Program General Bond Resolution and the Financing Agreements. The bonds and notes are secured from the annual financing charges, legislative appropriations and other moneys and securities held or set aside under the Second Program General Bond Resolution.

- **Financing Agreements**. The Authority and the Board of Trustees of the University of Tennessee and the Tennessee Board of Regents (together, "the Boards") have entered into a Financing Agreement. The Financing Agreements obligate the Boards to pay to the Authority the annual financing charges sufficient for payment of the debt service on the bonds.
- **Debt Service Reserve Fund.** The Authority's Second Program General Bond Resolution provides that a Debt Service Reserve Fund shall be established for each bond that is issued.

- **Cash Funded Debt Service Reserve -** a fund in which moneys are placed in reserve to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund is funded with bond proceeds at the time of issuance. The balance in the debt service reserve fund will be used to pay the final maturity of that bond. It is the Authority's current practice to establish this fund with no current funding (funded at zero dollars).

- **Reserve Fund Credit Facility -** In lieu of a cash funded Debt Service Reserve, the Authority has the option to use one of the following reserve fund credit facilities; provided, however, that at the time of acceptance by the Authority, the provider's long-term obligations of any nature or claims paying ability are rated, by each Rating Agency then rating any Outstanding Bonds, no lower than the same Rating Category (for this purpose, taking into account refinements and gradations) as the Bonds are then rated by such Rating Agency:

  i. Letter of Credit;

  ii. Debt service reserve insurance policy; or

  iii. any other similar financial arrangement as determined by Supplemental Resolution, and which is used to fund all or a portion of the Debt Service Reserve Requirement

- **Liquidity Facility.** In the event the Authority shall utilize a commercial paper program, the Authority may set up a liquidity facility to provide liquidity to securities that have been tendered. The liquidity facility may be in the form of a letter of credit, advance agreement or other arrangement that may provide liquidity.

- **Interest Rate Reserve Fund (IRRF).** The Authority may establish an IRRF for bond anticipation notes issued for each project to be funded by the borrower. The IRRF shall provide security for interest due on bond anticipation notes that mature between billings. The borrowers shall be charged monthly based on the amount borrowed. When the short-term debt for a project is either repaid or converted into bonds or other long-term debt, the borrower shall be credited its amount invested in the IRRF.

- **Intercept of State Appropriation**s. Section 4.05 of the Authority's Second Program Financing Agreements provides the Authority the ability, in the event the Board of Trustees of the University of Tennessee or the Tennessee Board of Regents has failed to pay the annual financing charges or administrative fees due, to intercept amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the Institution to cover the amount due and payable.

Types of Debt

Pursuant to Tenn. Code Ann. § 49-3-1207, the Authority is authorized from time to time to issue its negotiable bonds and notes. These include:

A. Long-Term Debt/Bonds

The Authority may issue bonds, where repayment of the debt service obligations of the bonds will be made through revenues generated from specifically designated sources. The bonds will be special obligations of the Authority. These bonds may be structured as:

- **Fixed Interest Rate Bonds**. Bonds that have an interest rate that remains constant throughout the life of the bond, i.e., serial bonds and term bonds.

- **Variable Interest Rate Bonds**. Bonds that bear interest at a variable or floating rate, adjusted at specified intervals (daily, weekly, or monthly) according to a specific index.

- **Capital Appreciation Bonds**. Bonds that are structured where interest on principal accrues and compounds until maturity. At maturity the full amount of the principal and all interest accrued is repaid.

B. Short-Term Debt

The Authority may issue short-term debt, from time to time as needed to fund projects for the Higher Educational Institutions during their construction phase. Such debt shall be authorized by resolution of the Authority. Short-term debt may be used for the following reasons:

- To fund projects with an average useful life of ten years or less; and
- To fund projects during their construction phase

Short-term debt is issued during the project's construction period and is subsequently repaid with proceeds from the sale of long-term debt or fees and charges from the borrowers. Short-term debt may include:

- **Bond Anticipation Notes (BANs)** – BANs are short-term interest-bearing securities generally issued to finance capital project expenditures during construction in anticipation of permanent financing through the issuance of long-term debt.
- **Commercial Paper (CP)** – CP is a BAN that may be issued with a term of up to 270 days; and at maturity may be reissued to a future maturity date. It can be issued incrementally as funds are needed.
- **Fixed Rate Notes** – Notes issued for a period of one year or less with an interest rate that is fixed.
- **Variable Rate Notes** – Notes issued for a period of five years or less, that bear interest at a variable or floating rate, adjusted at specified intervals (daily, weekly, or monthly) according to a specific index.
- **Revolving Credit Facility (RCF)** – A form of credit issued by a financial institution that provides the ability to draw on and repay during the term of the facility. The incremental drawdowns may bear interest until repaid.

Debt Structure

The Authority shall establish all terms and conditions relating to the issuance of bonds and shall invest all bond proceeds pursuant to the terms of the Authority's Second Program General Bond Resolution and the State's investment policy. Unless otherwise authorized by the Authority, the following shall serve as the Policy for determining structure:

A. Term

All capital projects financed through the issuance of debt shall be financed for a period not to exceed the useful life of the projects, and in consideration of the ability of the borrower to absorb the additional debt service expense within the debt affordability guidelines, but in no event shall the term of any bonds exceed thirty (30) years.

B. Capitalized Interest

Certain financings may require the use of capitalized interest from the issuance date until the borrower has beneficial use or occupancy of the financed project. Interest may be financed (capitalized) through a period permitted by federal law and the Authority's Second Program General Bond Resolution if it is determined that doing so is beneficial to the financing by the Authority.

C. Debt Service Structure

New money debt will be issued with a relatively net level debt service over the life of the debt. The Authority will avoid the use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund repayments or capital appreciation bonds.

D. Call Provisions

When issuing new debt, the structure may include a call provision no later than ten (10) years from the date of delivery of the bonds. Call provisions should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by SGF in consultation with the Authority's financial advisor (the "Financial Advisor") with respect to the value of the call option.

E. Tender Offer/Option Bonds

The Authority may issue tender option bonds to retire all or a portion of certain outstanding bonds by making an offer to repurchase the bonds from its bondholders at a specified price during a set period of time. Note that from a bond holder's perspective, the only material difference between a called and tendered bond is that with the tender offer, the bond holder must elect to accept the repurchase offer. If the tender offer is not accepted, the bond's terms (including scheduled maturity date) remain unchanged.

F. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium will be permitted with the approval of the Authority.

G. Redemption Provisions

The Authority may redeem bonds in accordance with its redemption provisions in its Resolution.

- **Optional Redemption**

Bonds may be redeemed at the option of the Authority prior to their respective stated maturities.

- **Mandatory Redemption**

The Authority may issue bonds that are subject to mandatory redemption with a call provision that would require the Authority to redeem the bonds prior o their stated maturity date.

- **Sinking Fund Redemption**

The Authority may issue bonds that are subject to a sinking fund redemption that allows the Authority to call or redeem portions of its term bonds prior to their stated maturities with funds that have been set aside in a sinking fund for that purpose.

- **Extraordinary Redemption**

The Authority may issue bonds that are subject to an extraordinary redemption provision that gives the Authority the right to call or redeem its bonds due to an unusual, one-time event.

Refunding Outstanding Debt

The Authority may refund (refinance) outstanding bonds by issuing new bonds of which the proceeds are used to repay the refunded bonds. SGF with assistance from the Authority's Financial Advisor will have the responsibility to analyze outstanding bond issues for refunding opportunities. The Financial Advisor will conduct an analysis to identify all refunding candidates at least semiannually.

A. Refunding Considerations

- **Advance Refunding -** An advance refunding may be considered when the refunding results generate a present value savings of at least 4% per series of refunded bonds. Consideration will be given to escrow efficiency when reviewing refunding candidates. Current tax law only allows for taxable advance refundings.
- **Current Refunding -** A current refunding may be considered when the refunding results in (1) aggregate present value savings of at least 2% per series of refunded bonds or (2) present value savings per series that is equal to or greater than twice the cost of issuance allocable to the refunding series.
- **Refunding for Other Purposes** - Bonds may be refunded if necessary (1) due to a change in the use of a project that would require a change to the tax status of the bonds, (2) because the project is sold or no longer in service while still in its amortization period, or (3) because the restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.
- **Present Value Savings Calculation -** Unless otherwise agreed upon by SGF and the Financial Advisor, the present value savings shall be calculated for each series of refunding bonds (whether or not issued at the same time) by comparing the debt service on the refunding bonds to the remaining debt service on the bonds to be refunded thereby, present valued to the issue date of such refunding bonds at a discount rate equal to the arbitrage yield on such refunding bonds calculated (whether for tax-exempt bonds or taxable bonds) in the same manner as arbitrage yield is calculated for Federally tax-exempt bonds; provided, however, if a series of bonds is being issued for the purpose of refunding bonds to be refunded and for other purposes, the discount rate is equal to the arbitrage yield of the series of bonds. Percentage present value savings shall be expressed as a percentage of the par amount of such bonds to be refunded.
- **Escrow Efficiency -** Escrow efficiency is determined by dividing the present value savings by the perfect escrow cost. The perfect escrow cost for a net funded escrow, is the net present value of the escrow requirements (plus the additional cash deposit on the final requirement date) discounted at the arbitrage yield to the escrow purchase date. For a gross-funded escrow, the perfect escrow cost is the sum of the escrow requirements.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

B. Term of Refunding Issues

The Authority will refund bonds within the term of the originally issued debt allowing for an extension within the fiscal year of the original term. No backloading of debt shall be permitted.

C. Escrow Structuring

The Authority shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will seek to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Authority shall take all actions as may be necessary or appropriate to effectuate the transactions contemplated by the Refunding Trust Agreements, including but not limited to the purchase of State and Local Government Series securities. Under no circumstances shall an underwriter, agent, or financial advisor sell escrow securities to the Authority from its own account.

D. Arbitrage

The Authority shall seek to optimize efficiency on refunding escrows and to avoid negative arbitrage in its refunding subject to Tenn. Code Ann. § 49-3-1205(6). Any positive arbitrage will be rebated in accordance with federal guidelines (see also “Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage”).

Methods of Sale

A. Competitive

In a competitive sale, the Authority’s bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. A competitive sale is the Authority’s preferred method of sale.

B. Negotiated

While the Authority prefers to sell its bonds through a competitive process, it recognizes there are situations when it is best to negotiate the sale of its bonds. An underwriting team will be selected and the underwriter’s fees negotiated prior to the sale. See “Selection of Underwriting Team (Negotiated Transaction).” The Authority shall consider the following factors in determining whether to conduct a negotiated bond sale:

- The bond structure which may require a pre-marketing effort;
    - Fixed or variable rate bonds
    - Taxable or tax-exempt bonds
    - New money or refunding bonds
- Size of the bond issuance may limit the number of potential bidders;
- Market volatility is such that the Authority would be better served by flexibility in timing a sale;
- Credit strength; and/or
- Legal or disclosure issues make it advisable in marketing the bonds.

C. Private Placement

The Authority may consider to privately place its bonds in certain situations, such as:

- the small amount of bonds to be sold does not warrant public sale;
- the structure is complicated for a public debt issuance;
- the number of potential purchasers is limited; and/or
- the private placement results in a cost savings to the Board in comparison to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

The primary role of the underwriter and underwriting team in a negotiated bond sale is to market the Authority’s bonds to investors. Underwriters often provide ideas and suggestions with respect to structure, timing, and marketing process for the bonds being sold. The underwriters also work with the Authority’s Financial Advisor and financing team in the bond rating process. The roles of the underwriter and the Financial Advisor are separate, adversarial roles that cannot be provided by the same party. The Authority shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals (RFP) or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to the Authority’s bonds to be sold. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length negotiation and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per bond maturity to the Authority or its designated official in advance of the pricing of the debt.

A. Senior Manager

The Authority with assistance from its staff and Financial Advisor shall select the senior manager for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority's transaction;
- Financing and marketing ideas presented; and
- Competitive underwriting fees.

B. Co-Manager

Co-managers may be selected based on the same criteria as for the senior manager. The number of co-managers appointed to a specific transaction may be dependent upon the transaction size to ensure maximum distribution of the Authority's bonds. The Secretary or Assistant Secretary to the Authority will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

C. Selling Groups

The Authority may use selling groups in its bond sales to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are included in the transaction, the Secretary or Assistant Secretary of the Authority, at his or her discretion, may appoint new members to the selling group as needed.

D. Underwriter's Counsel

In any negotiated sale of Authority debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager.

Credit Quality

The Authority will seek to achieve the highest bond ratings possible, consistent with the Authority's financing objectives. If the Authority's ratings are downgraded, the Authority will immediately review its capital funding and debt strategy and take necessary steps within its authority to avoid additional downgrades and restore its rating. If the downgrade is a result of a criteria change, SGF will work with the credit rating agencies to understand the implications of the criteria and provide a summary to the Board.

SGF will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Authority's debt. SGF will schedule rating agency calls and/or visits prior to the issuance of Tennessee State School Bond Authority debt.

SGF will provide the rating agencies with periodic updates of the general financial condition of the Authority. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Authority, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority through SGF will engage the relevant rating agencies in advance, in the event that the Authority decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Authority shall apply for ratings from at least two of the of the four credit rating agencies. The Authority shall fully review the contract with the rating agencies and receive an engagement letter with each respective agency prior to submitting documentation for the rating.

Credit Enhancements

The Authority may consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. The Authority may determine that a credit enhancement is necessary to sell debt in the capital market. In other cases, there may be a benefit to securing a credit enhancement; however, cost savings would need to be demonstrated. The Authority may consider the following enhancements while evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when it is deemed to be prudent and advantageous by the Authority. The primary consideration shall be based on whether the insurance would be less costly than the present value of the difference between the interest cost on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used. The purchaser will include the cost of the bond insurance (to be paid by the purchaser) in its bid for the bonds. If the Authority decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and will consider the credit quality of the insurer with terms and conditions governing the guarantee that is satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit (LOC) agreement if such an agreement is deemed prudent and advantageous. SGF will prepare and distribute a RFP to qualified banks or other qualified financial institutions that includes terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution with the highest credit quality that provides a proposal with the lowest cost that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt that requires a liquidity facility to mitigate remarketing risk, the Authority will evaluate:

- The cost of alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and lines of credit, in comparison to the cost of the inability to issue debt in an illiquid market;
- Whether the facility needs to be diversified among liquidity providers to limit credit exposure to any individual liquidity provider;
- All cost components attributed to the liquidity facility, including commitment fees, standby fees, draw fees, and interest expense on amounts drawn on the facility; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the cost for self-liquidity.

The winning bid will be awarded to the bank or financial institution with the highest credit quality that provides a proposal with the lowest cost that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Authority has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

SGF will evaluate each transaction to assess the types and amounts of risk associated with each transaction and consider all available means to address and mitigate those risks. SGF will evaluate all proposed transactions to ensure consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Private Business Use

Private business use of a project or facility financed with tax-exempt bonds may cause the interest on the tax-exempt bonds to be taxable to the owner of the bonds.

B. Default Risk

Payment (monetary) default risk – the risk that debt service payments due from the borrowers are not all received by the due date.

Technical default risk – the risk that the Authority fails to comply with the covenants or conditions (non-financial terms) of it debt obligations.

C. Liquidity Risk

The risk that an illiquid capital market would impede the Authority's ability to issue or remarket debt along with the risk of having to pay a higher interest rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that as market interest rates change based on conditions which are outside the control of the Authority. Debt with variable rates could be subject to interest rate volatility and based on market conditions rates could be higher than estimated. Debt that includes a requirement to be refinanced could be subject to higher interest rates in the future resulting in higher interest costs.

E. Rollover Risk

The risk of refinancing a debt with the rate of interest on the new debt being greater than the original rate of interest.

F. Market Risk

Risk that my arise due to changes in the municipal or other financial markets, geopolitical events, or recession that could result in the ability to access the financial markets or borrowing in financial markets that could result in higher than expected interest rates.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act and provide adequate notice of a public meeting. The Authority shall specify on the agenda any matters related to debt issuance that are to be considered. All costs related to the debt issuance, recurring and non-recurring, (including bond interest and costs of issuance) shall be disclosed to the general public in a timely manner. Additionally, in accordance with the Authority's Continuing Disclosure Undertaking (CDU), the Authority will provide certain financial information and operating data by specified dates and provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure requirements of the U.S. Securities and Exchange Commission (SEC) Rule 15c2-12. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority's website within two weeks of the closing of the sale;

- Filing the Debt Report with the Authority not later than forty-five days following the issuance or execution of a debt obligation, with a copy filed with the Division of Local Government Finance (LGF) pursuant to Tenn. Code Ann. § 9-21-134; and
- Electronically submitting information necessary to satisfy the Authority's continuing disclosure requirements for the bonds through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website in a timely manner (see also "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Authority requires all professionals engaged in assisting in the Authority's debt issuance transactions to clearly disclose all compensation and consideration received related to services provided to include "soft" costs or compensations in lieu of direct payments.

A. Issuer's Counsel

The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of the Attorney General and Reporter for the State of Tennessee which serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, that serves as counsel to SGF regarding Authority matters.

B. Bond Counsel

Bond Counsel shall be engaged through SGF and serve and assist the Authority in all matters related to its debt issues under a written agreement.

C. Financial Advisor

The Financial Advisor shall be engaged through SGF and serves and assists the Authority on financial matters under a written contract. However, the Financial Advisor shall not be permitted to bid on, privately place, or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care. The Financial Advisor shall be a registered municipal advisor with the Municipal Securities Rulemaking Board (MSRB).

D. Trustee/Refunding Trustee

The Trustee is appointed under the Second Program General Bond Resolution of the Authority. The Trustee will be a bank, trust company, or national banking association that provides Paying Agent and Registrar services. The Trustee will also serve as the Refunding Trustee for the Authority's refunded bonds as appointed under the Second Program General Bond Resolution.

E. Dealer or Remarketing Agent

The Authority may enter into a Dealer Agreement with the appointed CP dealer or a Remarketing Agent Agreement associated with variable rate debt offerings. The Dealer and/or Remarketing Agent agrees to offer and sell the CP or other variable rate debt, on behalf of the Authority, to investors and other entities and individuals that purchase CP.

F. Issuing and Paying Agent

The Authority shall appoint an Issuing and Paying Agent at all times while the CP is outstanding. The Authority will enter into an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company, or national banking association that has trust powers.

G. Credit/Liquidity Provider

The Authority shall enter into a Credit/Liquidity Agreement with an appointed provider, if deemed necessary or advisable, for the CP. The provider shall be a bank, lending institution, or the Tennessee

Consolidated Retirement System (TCRS) that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan, or a similar credit product or as a liquidity facility for CP.

H. Verification Agent

The Verification Agent will be selected through a RFP process prior to the issuance of refunding bonds, if required. The Verification Agent shall verify the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on the refunded bonds.

I. Escrow Bidding Agent

The Escrow Bidding Agent will be selected through a RFP process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review, and evaluate responses to the bids, accept and award bids, and provide final certification to the Authority as to completion of requirements.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority will be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations, and program administrators. This disclosure will include such information that is reasonably sufficient to allow the Authority to understand the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

In planning for the sale of bonds, the procedures outlined below will be followed:

- Prior to submitting a bond resolution for approval, the Director of SGF (the “Director”), with the assistance of the Financial Advisor, will present to the Authority’s staff information concerning the purpose of the financing, the proposed structure of the financing, the source of payment proposed to be pledged to the financing, the proposed method of sale for the financing, all members of the proposed financing team, and an estimate of all the costs associated with the financing;
- The Director (with the assistance of SGF staff), Bond Counsel, and Financial Advisor, along with other members of the financing team, will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements; and
- In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction, and a discussion of the potential risks associated with the proposed structure.

B. Preparing for Bond Closing

In preparation for the bond closing, the procedures outlined below will be followed:

- The Director (with the assistance of SGF staff), Bond Counsel, and Financial Advisor, along with other members of the financing team, will prepare the offering document (i.e., an Official Statement) describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds;
- Authority staff with assistance from the Financial Advisor will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credits, if applicable.
- The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Debt Report outlining costs related to the issuance and other information set forth in Tenn. Code Ann. § 9-21-151, present the report at the next meeting of the Authority and file a copy with LGF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds and reporting all arbitrage earnings associated with the financing and submitting any tax liability that may be owed to the Internal Revenue Service (IRS).
- The Post-Issuance Compliance (PIC) team will meet annually to review matters related to compliance and complete the PIC Checklist.
- As a part of the PIC procedures, the Director (with the assistance of SGF staff) will, no less than annually, request and receive confirmation from the borrowers that there has been no change in use of tax-exempt financed facilities.

For additional information on planning and preparing for a bond sale, see the Standard Operating Procedure Bond Issuance and Checklist.

C. Continuing Administration

- SGF staff will prepare billings in a timely manner to send to the borrowers to ensure payment in a timely manner.
- SGF staff will send moneys collected from borrowers for payment of debt service to either the Depository Trust Company (DTC) or the associated Trustee/Paying Agent to pay the bondholders the debt service due, or in the case of term bonds, place the funds in a sinking fund until the bond matures.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The Authority, through SGF, will comply with arbitrage requirements on invested tax-exempt bond funds consistent with representations made in the relevant Tax Certificate. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Authority will comply with all of its tax certificates for its tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Authority currently contracts with an arbitrage consultant to prepare these calculations when needed. The Authority will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Authority must be invested per Tenn. Code Ann. § 49-3-1205(6), subject to any restrictions required pursuant to the next sentence or pursuant to any applicable bond issuance authorization. Compliance with federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained.

Proceeds used to refund outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) shall be rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Global rating services, and (iii) shall mature and bear interest at such times and in such amounts that will be sufficient, together with any cash on deposit, to redeem the bonds to be refunded and to pay all interest due on the bonds to be refunded.

C. Disclosure

The Authority will disclose the State's and the Authority's audited Annual Comprehensive Financial Report on the EMMA website as well as certain financial information and operating data required by the CDUs for the outstanding bonds no later than January 31st of each year for the Higher Educational Second Program Bonds or February 25th for the QSCB Program. The Authority will provide timely notice of any failure to provide required annual financial information. The Authority, with respect to borrowers under the QSCB Program (the "QSCB Borrowers"), will provide by no later than one year after the end of each respective fiscal year:

- the updated version of the state-shared taxes contained in the Official Statement with respect to the QSCB Borrowers, and
- Audited Financial Statements, if available, or the Unaudited Financial Statements of the QSCB Borrowers.

The Authority will also, in accordance with the CDUs, disclose on the EMMA website within ten business days after the occurrence of the following events relating to the bonds to which the CDUs apply.

- Principal and interest payment delinquencies
- Nonpayment-related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers or their failure to perform
- Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of such bonds or other material events affecting the tax status of such bonds
- Modifications to rights of bondholders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing the repayment of the bonds, if material
- Rating changes
- Bankruptcy, insolvency, receivership, or similar event of the State

- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- Appointment of successor trustee or the change of name of a trustee if material
- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties

D. Generally Accepted Accounting Principles (GAAP)

The Board will comply with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the Department of Finance and Administration when applicable.

Review of the Policy

The debt policy guidelines outlined herein are intended to provide direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines in a manner similar to the original adoption of the Policy.

This policy will be reviewed no less frequently than annually. At that time the Director will consider any recommendations for any amendments, deletions, additions, improvements, or clarification.

Adoption of the Policy

1. A public hearing on the Policy was held on the following date: November 14, 2011.

2. The Authority adopted this Policy on December 8, 2011, effective December 8, 2011.

3. The Authority amended this Policy on February 4, 2013, effective February 4, 2013.

4. The Authority amended this Policy on March 10, 2016, effective March 10, 2016.

5. The Authority amended this Policy on June 9, 2016, effective June 9, 2016.

6. The Authority amended this Policy on May 11, 2017, effective May 11, 2017.

7. The Authority amended this Policy on June 27, 2019, effective June 27, 2019.

8. The Authority amended this Policy on July 22, 2021, effective July 22, 2021

9. The Authority amended this Policy on July 22, 2024, effective July 22, 2024

Secretary
Tennessee State School Bond Authority

APPENDIX A

Annual Review

The Authority has reviewed and accepted the Debt Management Policy on:

November 21, 2014
January 20, 2016
July 20, 2020
July 26, 2022
June 27, 2023

RESOLUTION TO APPROVE THE BORROWING OF MONEY BY ANOTHER METHOD BY THE UNIVERSITY OF TENNESSEE

Recitals

Whereas, the University of Tennessee ("UT"), on behalf of its Health Science Center ("UTHSC"), proposes to amend its current lease of up to ten (10) two (2) bedroom apartments (the "Apartments") in Knoxville, Tennessee for use by medical students doing clinical rotations with UTHSC's College of Medicine-Knoxville and College of Dentistry students doing clinical rotations in Knoxville; and

Whereas, the ability to provide a limited amount of housing for students is considered a highly significant and a valuable recruiting tool in attracting students to the UTHSC with the long-range benefit of students considering Knoxville for their residency; and

Whereas, the Dean of the College of Medicine, Knoxville and the Dean of the College of Dentistry consider this essential to the success of the educational program for both medical and dental students and future Residents; and

Whereas, searches for furnished apartments for UTK for fall 2024 found there is no availability near UT's Knoxville campus; and

Whereas, demand for furnished apartments in the area around UT's Knoxville campus is at an all-time high and complexes are either sold out or only have vacant bedrooms in partially occupied units; and

Whereas, UT is proposing to amend its current lease (the "Lease") for the Apartments with Corporate Quarters, Inc. such that it will provide for up to nine (9) two (2) bedroom units located at 875 Cornerstone Dr, Knoxville, TN with the lease term extending by one (1) year until July 31, 2025 at a monthly rate of three thousand seven hundred three dollars and seventy cents ($3,703.70) per Apartment, including utilities, for a total annual cost of four hundred thousand dollars and no cents ($400,000.00) with the Apartments being fully furnished and also including a fully stocked kitchen and bed/bath linens and with a one hundred dollar and no cents ($100.00) cleaning fee being charged each time a medical or dental student rotates out and a new one arrives; and

Whereas, the Lease payments will be funded by UTHSC through Plant Funds (Aux-Housing) (A).

BE IT RESOLVED BY THE TENNESSEE STATE SCHOOL BOND AUTHORITY:

1. In accordance with the authority provided by Tennessee Code Annotated Section 49-3-1205(11), the Tennessee State School Bond Authority (the "Authority") gives its approval for UT to enter into the Lease.

BE IF FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of July 22, 2024.

Adopted by the Authority at its meeting on July 22, 2024.

____

JASON E. MUMPOWER, SECRETARY
TENNESSEE STATE SCHOOL BOND AUTHORITY

UNIVERSITY OF TENNESSEE

Acquisition – Lease Amendment (Space)

Requested Action: **Approval of a lease amendment**

Transaction Description: Transaction No. 2023-05-001

- **Proposed Amendment:**
  - **Location:** University of Tennessee-Health Science Center (UTHSC)
    Knox County – 875 Cornerstone Dr, Knoxville, TN
  - **Term:** August 1, 2024 – July 31, 2025
  - **Area/Costs:** Up to nine (9) two (2) bedroom units
    $3,703.70/month per 2-bedroom unit including utilities, $400,000.00/year

- **Current Lease:**
  - **Location:** University of Tennessee-Health Science Center (UTHSC)
    Knox County – 8700 Hopemont Way, Knoxville, TN
  - **Landlord:** Corporate Quarters, Inc.
  - **Term:** August 1, 2023 – July 31, 2024
  - **Area/Costs:** Up to ten (10) two (2) bedroom units
    $3,507.50/month per 2-bedroom unit including utilities, $420,900.00/year
- **Source of Funding:** Plant Funds (Aux-Housing) (A)
- **Procurement Method:** Negotiated

Comment: These apartments will be used by medical students on clinical rotations with UTHSC's College of Medicine–Knoxville and UTHSC dental students on clinical rotations in Knoxville. The ability to provide a limited amount of housing for students is considered a highly significant and a valuable recruiting tool in attracting students to the UTHSC with the long-range benefit of students considering Knoxville for their residency. Advertisement is not required per SBC Policy 7.02.B.2.

A $100 cleaning fee will be assessed for cleaning services each time a medical student rotates out and a new one arrives.

Previous Action:

05/22/2023	ESC	Approved waiver of advertisement
07/25/2023	ESC	Approved lease

EXECUTIVE SUMMARY

BACKGROUND:

The University of Tennessee, on behalf of its Health Science Center (UTHSC), proposes to amend its current lease of up to ten (10) two (2) bedroom apartments in Knoxville, TN for use by medical students doing clinical rotations with UTHSC's College of Medicine–Knoxville and College of Dentistry students doing clinical rotations in Knoxville.

The ability to provide a limited amount of housing for students is considered a highly significant and a valuable recruiting tool in attracting students to the UTHSC with the long-range benefit of students considering Knoxville for their residency. The Dean of the College of Medicine, Knoxville and the Dean of the College of Dentistry consider this essential to the success of the educational program for both medical and dental students and future Residents.

Searches for furnished apartments for UTK for Fall 2024 found there is no availability near campus. Demand for furnished apartments in this area is at an all-time high and complexes are either sold out or only have vacant bedrooms in partially occupied units.

TERMS:

The University will amend its current lease such that it will provide for up to nine (9) two (2) bedroom units with the lease term extended by one (1) year until July 31, 2025. The cost per two-bedroom unit will be $3,703.70 per month including utilities. The units come fully furnished and include a fully stocked kitchen and bed/bath linens. A $100 cleaning fee will be assessed for cleaning services each time a medical or dental student rotates out and a new one arrives.

FUNDING:

Funding for the lease payments will be funded by UTHSC through Plant Funds (Aux-Housing) (A).

REQUEST:

Request for approval of an amendment of lease and waiver of advertisement.

CERTIFICATION OF FUNDS

Please be advised that The University of Tennessee Health Science Center has adequate resources that are not encumbered or otherwise obligated from which to make related payments in accordance with the real property lease with **Corporate Quarters, Inc.** in the amount of **four hundred thousand and 00/100 ($400,000.00) per year.**

David L. Miller

_______________________________ Date: June 14, 2024

David L. Miller
Senior Vice President & Chief Financial Officer

The University of Tennessee
Amended and Restated Master Lease Agreement

This Amended and Restated Master Lease Agreement ("Agreement") is made effective 7/31/2024 ("Effective Date") by and between The University of Tennessee, an instrumentality of the State of Tennessee ("University"), and Corporate Quarters, Inc. ("Supplier").

Background:

- The University's 8/1/2023 Master Lease Agreement with Supplier has an expiration date of 7/31/2024 and the University has a continuing need for apartments for medical and dental students in Knoxville, Tennessee.

- Supplier has space available in an apartment complex located at 875 Cornerstone Drive, Knoxville, TN commonly known as "The Retreat at Knoxville" ("complex") and has agreed to lease to the University.

- The nature of the transaction between the University and Supplier is that the University will be responsible for paying rent to Supplier. University's students ("students") will occupy the space described in Schedule 1.

- Supplier will require the students to sign agreements that bind the Supplier and students with respect to the use and occupancy of the spaces in the complex. Those agreements will relate to Supplier's rules and regulations. The University will not be a party to those agreements.

The parties agree as follows:

A. Term and Termination:

1. Term: The term of this Agreement shall be extended for one (1) year effective 8/1/2024 and shall expire on 7/31/2025.

2. Termination:

    i. For Cause: If Supplier materially breaches this Agreement, University may terminate this Agreement immediately.

    ii. By Supplier: Except as permitted under the Uniform Residential Landlord Tenant act, Supplier may only terminate this Agreement for any specific unit if the student materially violates Supplier's rules and regulations and after providing not less than five (5) days written notice to the University.

    iii. By University: University may terminate any or all accommodations leased under the Agreement by providing at least sixty (60) days' notice to Supplier. If University exercises this clause, Supplier will not charge the University any fees beyond the termination date specified in the notice.

iv. Notice Requirement: Either party must provide termination notice to the other in accordance with the Notice section of this Agreement.
v. Effect: In the event that either party terminates this Agreement for any particular unit, the University's obligation to pay for the unit will end on the effective date of the notice.

3. Scope: See Schedule 1.

B. Financial:
1. Compensation: See Schedule 1.

2. Invoices:
   i. Required: Unless the University elects to submit a payment request through the University's accounts payable process on Supplier's behalf, Supplier shall invoice the University.

   ii. Invoice Contents: Supplier must include the following information on its invoices under this agreement:
      1. Addressed to the University;
      2. Invoice number (assigned by Supplier);
      3. Invoice date;
      4. Transaction date;
      5. Supplier name;
      6. Supplier contact for invoice questions (name, phone, or email);
      7. Supplier remittance address;
      8. Description of delivered goods or services provided and invoiced, including identifying information as applicable;
      9. Number of delivered or completed units, increments, hours, or days as applicable, of each good or service invoiced;
      10. Amount due for each compensable unit of good or service; and
      11. Total amount due for the invoice period.

   iii. Late Payment: University's payment will not be considered late unless University pays later than forty-five (45) calendar days after receiving Supplier's invoice.

3. Records; Audit:
   i. Records: Supplier shall maintain records for all expenses for which Supplier invoices the University under this Agreement. Supplier shall maintain its records for at least five (5) years, and shall maintain its records in accordance with generally accepted accounting principles.

   ii. Audit: During the term of this Agreement and for five (5) years after the last payment from the University to Supplier under this Agreement, the State of

Tennessee Comptroller or the University's internal audit, or both, may audit Supplier's records that relate to this Agreement.

iii. Assistance: Supplier shall provide the University with any documentation, access to information, or other assistance necessary for the University to ensure that Supplier complies with its obligations under this Agreement.

4. PaymentWorks: Supplier must register as a vendor in University's vendor-management system, PaymentWorks.

C. Compliance:

1. Conflicts of Interest:

   i. Supplier states that no part of the Supplier's compensation will be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Supplier in connection with any work contemplated or performed under this Agreement.

   ii. Supplier states that this Agreement is immediately void if the Supplier is, or within the past six (6) months has been, an employee of the State of Tennessee or if the Supplier is an entity in which a controlling interest is held by an individual who is, or within the past six (6) months has been, an employee of the State of Tennessee.

2. Iran Divestment Act: The requirements of Tenn. Code Ann. § 12-12-101 et. seq., addressing contracting with persons as defined at T.C.A. §12-12-103(5) that engage in investment activities in Iran, are a material provision of this agreement. Supplier hereby certifies, under penalty of perjury, that to the best of its knowledge and belief that it is not on the list created pursuant to Tenn. Code Ann. § 12-12-106.

3. Non-Boycott of Israel. Pursuant to Tenn. Code Ann. § 12-4-119, Supplier certifies that it is not currently engaged in, and will not for the duration of the agreement, engage in a boycott of Israel, as defined by Tenn. Code Ann. § 12-4-119(a)(1).

4. Illegal Immigrants: In compliance with the requirements of Tenn. Code Ann. § 12-3-309, Supplier hereby attests that it shall not knowingly utilize the services of an illegal immigrant in the United States in the performance of this Agreement and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the United States in the performance of this Agreement.

5. Tennessee Department of Revenue: In compliance with the requirements of Tenn. Code Ann. § 12-3-306, the Supplier hereby attests that it has registered with the State of Tennessee's Department of Revenue for the collection of Tennessee sales

and use tax. This registration requirement is a material requirement of this Agreement.

6. <u>Compliance with law:</u> Supplier shall comply with all applicable laws, including the Tennessee Uniform Residential Landlord and Tenant Act and the Americans with Disabilities Act.

7. <u>Debarment</u>: Supplier hereby attests that the following are true statements:
   i. Supplier is not currently debarred by the U.S. federal government.
   ii. Supplier is not currently suspended by the U.S. federal government.
   iii. Supplier is not currently named as an "excluded" supplier by the U.S. federal government.

8. <u>Background Checks</u>: This clause applies if Supplier will provide services on the University's accommodations.
   i. <u>General Obligation</u>: Supplier will not knowingly assign any individual to provide services to University if the individual has a history of criminal conduct. For proposes of this Agreement, "criminal conduct" means (a) that the person is listed on any state's sexual offender registry; (b) that person is listed on the Tennessee Abuse Registry, or (c) that the person has been convicted of a felony in any state.

   ii. <u>Prompt Background Checks</u>: If the University requests, Supplier must perform a comprehensive criminal background check on any Supplier employee or sub-contractor.

9. <u>Premises Rules</u>: When Supplier is physically present on University accommodations, Supplier shall make reasonable efforts to cause its employees and permitted sub-contractors to:
   i. Avoid alcohol use;
   ii. Avoid illegal drug use;
   iii. Avoid smoking;
   iv. Comply with all access restriction protocols;
   v. Comply with applicable firearms laws;
   vi. Comply with applicable parking regulations.

10. <u>Conduct</u>: Supplier shall make reasonable efforts to ensure that Supplier's employees and sub-contractors will conduct themselves in a professional manner while on University accommodations, and while interacting with University employees, students, or visitors. Supplier must report, within 24 hours, to the University's Office of Procurement Services any complaints about Supplier's employees or sub-contractors engaging in the following behavior: sexually suggestive or harassing behavior; unwanted physical touching; unwanted photographs; alcohol use; illegal

drug use; or physical manifestations of alcohol or drug use (e.g. Supplier's employee emits smells that indicate that the individual consumed alcohol recently).

D. Insurance: Supplier shall comply with Schedule 2: Insurance.

E. General:

1. Assignment: This agreement is personal to Supplier. Accordingly, Supplier may not assign any rights or delegate any duties under this Agreement.

2. Independent Supplier: The parties intend for their relationship to that of independent contractors. Supplier acknowledges that it is not an employee of University.

3. Governing Law: The laws of the state of Tennessee, without giving effect to its principles of conflicts of law, govern this Agreement. The University's liability will be governed by the Tennessee Claims Commission Act, Tenn. Code Ann. §§ 9-8-301 et seq.

4. Self-Insurance: The University is self-insured under the Tennessee Claims Commission Act, Tenn. Code Ann. §§ 9-8-301 et seq., which covers certain tort liability for actual damages of up to $300,000 per claimant and $1,000,000 per occurrence.

5. Use of University Intellectual Property: Except as allowed in this section, Supplier shall not use the University's name, marks, logos, or any other University-owned intellectual property for any reason, without the written consent of an authorized official of the University. During the term of this Agreement, Supplier may list the University's name in Supplier's list of clients.

6. Third-Party Beneficiaries: There are no third-party beneficiaries to this Agreement.

7. Severability: The parties intend as follows:

    i. that if any provision of this Agreement is held to be unenforceable, then that provision will be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded;

    ii. that if an unenforceable provision is modified or disregarded in accordance with this section, then the rest of the Agreement will remain in effect as written; and

    iii. that any unenforceable provision will remain as written in any circumstances other than those in which the provision is held to be unenforceable.

8. Modification; Waiver: No modification of this Agreement will be effective unless it is in writing and signed by authorized officials of the parties. No waiver of satisfaction of a condition or failure to comply with an obligation under this Agreement will be effective unless it is in writing and signed by an authorized official of the party granting the waiver, and no such waiver will constitute a waiver of satisfaction of any other condition or failure to comply with any other obligation.

9. Counterparts: If the parties sign this Agreement in several counterparts, each will be deemed an original but all counterparts together will constitute one instrument.

10. Damages:
a. Generally: ***The University is not responsible for acts or omissions of its students.*** The University's sole obligation under this Agreement is to pay the rent amounts listed in Schedule 1. Accordingly, Supplier acknowledges that the individual residents are responsible for any costs associated with damages. Any liability of the University to Supplier and third parties for any claims, damages, losses or costs arising out of or related to acted performed by the university under this Agreement will be governed by the Tennessee Claims Commission Acts, Tenn. Code Ann. §§ 9-8-301, et. seq.

b. Ordinary Wear and Tear: Students will not be liable for ordinary wear and tear.

11. Rules and Regulations**:** The University is not responsible for the students' compliance with Supplier's rules and regulations. Supplier is responsible for ensuring that students are aware of Supplier's rules and regulations.

12. Maintenance and Repairs: Supplier shall maintain or cause maintenance of the units and the complex in good working order and in the same condition or better as exists on the date of this Agreement. Supplier will ensure that the students are aware of how to request maintenance, including repairs.

13. Fire and Other Casualties: In the case of damage by fire or other casualty to the building in which the units are located, if the damage is so extensive as to render the units untenable, this Agreement will terminate immediately for the affected units, and the rental costs will be apportioned to the time of the fire or casualty.

14. Force Majeure:
    i. If a Force Majeure Event prevents a party from complying with any one or more obligations under this Agreement, that inability to comply will not constitute breach if (1) that party uses reasonable efforts to perform those obligations, (2) that party's inability to perform those obligations is not due to its failure to (A) take reasonable measures to protect itself against events or circumstances of the same type as that Force Majeure Event or (B) develop and maintain a reasonable contingency plan to respond to events or

circumstances of the same type as that Force Majeure Event, and (3) that party complies with its obligations under section this section (E)(10)(iii).

ii. For purposes of this agreement, "Force Majeure Event" means, with respect to a party, any event or circumstance, whether or not foreseeable, that was not caused by that party and any consequences of that event or circumstance.

iii. If a Force Majeure Event occurs, the noncomplying party shall promptly notify the other party of occurrence of that Force Majeure Event, its effect on performance, and how long the noncomplying party expects it to last. Thereafter the noncomplying party shall update that information as reasonably necessary. During a Force Majeure Event, the noncomplying party shall use reasonable efforts to limit damages to the other party and to resume its performance under this Agreement.

15. <u>Notice</u>:

i. For a notice or other communication under this Agreement to be valid, it must be in writing and delivered (1) by hand, (2) by a national transportation company, with all fees prepaid, or (3) by registered or certified mail, return receipt requested and postage prepaid;

ii. Subject to sub-section (iv) below, a valid notice or other communication under this Agreement will be effective when received by the party to which it is addressed. It will be deemed to have been received as follows:

1. if it is delivered by hand, delivered by a national transportation company, with all fees prepaid, or delivered by registered or certified mail, return receipt requested and postage prepaid, upon receipt as indicated by the date on the signed receipt; and

2. if the party to which it is addressed rejects or otherwise refuses to accept it, or if it cannot be delivered because of a change in address for which no notice was given, then upon that rejection, refusal, or inability to deliver.

iii. For a notice or other communication to a party under this Agreement to be valid, it must be addressed using the information specified below for that party or any other information specified by that party in a notice in accordance with this section.

Supplier: See <u>Schedule 1</u>.

University:

<u>Legal notices only; do not send invoices to this address</u>:

The University of Tennessee
505 Summer Place – UTT 990
Knoxville, TN 37902
ATTN: Office of Real Property
Email: contracts@tennessee.edu
With a copy to: rpope@tennessee.edu

iv. If a notice or other communication addressed to a party is received after 5:00 p.m. on a business day at the location specified in the address for that party, or on a day that is not a business day, then the notice will be deemed received at 9:00 a.m. on the next business day.

F. Entire Agreement: This Agreement constitutes the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes all other agreements, whether written or oral, between the parties. In the event that Supplier maintains terms and conditions on its website, software, invoices, etc., such terms and conditions do not apply to the University.

Agreed: The parties are signing this Agreement on the effective date listed in the introductory clause of this Agreement.

The University of Tennessee	**Corporate Quarters, Inc.**
Signature: ______________________	Signature: ______________________
Name: ________________________	Name: ________________________
Title: _________________________	Title: _________________________

Approved as to form and legality:

____
Jonathan Skrmetti, Attorney General and Reporter

ACKNOWLEDGEMENTS TO FOLLOW

CORPORATE QUARTERS, INC NOTARY

STATE OF TENNESSEE
COUNTY OF ________________

Before me, the undersigned notary of the State and County aforesaid, personally appeared ______________________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself/herself to be ____________________ of _______________________, the within-named bargainor, and that he/she as such officer, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself/herself as such officer.

WITNESS my hand and seal at office in _________, this _____day of ________, 2024.

____
Notary Public

My Commission Expires: ________________________

UNIVERSITY OF TENNESSEE NOTARY

STATE OF TENNESSEE
COUNTY OF KNOX

Personally appeared before me, the undersigned Notary Public for Knox County, ______________________, with whom I am personally acquainted or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged that he/she is the _______________________ of the University of Tennessee and that he/she as officer, being authorized so to do, executed the foregoing instrument for the purpose therein contained by signing the name of the University of Tennessee by himself as officer.

WITNESS my hand and seal at office in _________ this ___ day of ________, 2024.

____
Notary Public.

My Commission Expires: ________________

Schedule 1: Scope and Financial

Supplier address for notices:

Corporate Quarters Inc.
10912 Murdock Dr.
Knoxville, TN 37932

University department name and address for notices:

University of Tennessee Graduate School of Medicine
1924 Alcoa Highway
Knoxville, TN 37920
Attn: Brittany Bracco
Coordinator of Undergraduate Medical Education

With a copy to: rpope@tennessee.edu

1. Scope: To provide housing for medical students on rotation, nine (9) two (2) bedroom two (2) bath apartments. Apartments are within the The Retreat at Knoxville apartment complex at 875 Cornerstone Drive, Knoxville, TN 37932. Addresses for each unit are listed below:

    10615 Castlepointe Way #203
    10615 Castlepointe Way #206
    10615 Castlepointe Way #303
    10635 Castlepointe Way #203
    10635 Castlepointe Way #204
    10635 Castlepointe Way #205
    10645 Castlepointe Way #207
    10655 Castlepointe Way #202
    10655 Castlepointe Way #207

2. Work Made for Hire: N/A

3. Compensation: Supplier's pricing is as follows:

    2 Bedroom/2 bath suite Student Housing - Arrive 8/1/24 – 7/31/25
    Housing for 18 – Nine (9) two (2) bedroom two (2) bath units @ $3,703.70/per month/per unit x 12 months = $400,000.00

    A $100 cleaning fee will be assessed for bedroom/bath cleaning each time a medical student moves out and a new student moves in.

4. <u>Other terms</u>:
    a. University may terminate accommodations by providing at least sixty (60) days' notice to Supplier. In the event that University exercises this clause, Supplier will not charge the University any fees beyond the termination date specified in the notice.
    b. Supplier must ensure that the accommodations for any given University group are located at the same property, except as may be agreed to by the University otherwise.
    c. Supplier must ensure that all units are single-level (no interior stairs).
    d. Supplier must ensure that all units are professionally cleaned before and after each University use.
    e. Supplier must allow University staff to inspect the unit on the Friday before arrival date.

5. <u>Travel</u>: N/A

Schedule 2: Insurance

Supplier shall comply with the following terms regarding insurance:

1. **<u>Additional Insurance Requirements</u>*:*** Supplier's policies shall include, or be endorsed to include, the following provisions:
   a. On insurance policies where The University of Tennessee is named as an additional insured, The University of Tennessee shall be an additional insured to the full limits of liability purchased by the Supplier, even if those limits of liability are in excess of those required by this contract.
   b. The Supplier's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

2. **<u>Notice of Cancellation</u>*:*** Each insurance policy required by the insurance provisions of this Agreement shall provide the required coverage and shall not be suspended, voided, or canceled except after thirty (30) days' prior written notice has been given to The University of Tennessee, except when cancellation is for non-payment of premium; then ten (10) days' prior notice may be given. Such notice shall be sent directly to:

   The University of Tennessee
   UT Tower, 10th Floor, Office of Risk Management
   400 W Summit Hill Drive
   Knoxville, TN 37902

   If any insurance company refuses to provide the required notices, the Supplier or its insurance broker shall notify The University of Tennessee of any cancellation, suspension or non-renewal of any insurance within seven (7) days of receipt of insurers' notification to that effect.

3. **<u>Acceptability of Insurers</u>*:*** Insurance is to be placed with insurers duly licensed or authorized to do business in the State of Tennessee and with an "A.M. Best" rating of not less than A- VII. The University of Tennessee in no way warrants that the above-required minimum insurer rating is sufficient to protect the Supplier from potential insurer insolvency.

4. **<u>Verification of Coverage</u>*:*** Supplier shall furnish The University of Tennessee with certificates of insurance (ACORD form or equivalent) as required by this Agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

   All certificates and any required endorsements are to be received and approved by The University of Tennessee before work commences. Each insurance policy required by this Agreement must be in effect at or prior to commencement of work under this

Agreement and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Agreement or to provide evidence of renewal is a material breach of contract.

5. **Subcontractors:** Supplier's certificate(s) shall include all subcontractors as additional insureds under its policies, or contractor shall furnish to The University of Tennessee separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

6. **Approval:** Any modification or variation from the insurance requirements in this Agreement shall be made by the University's Office of Risk Management department, whose decision shall be final. Such action will not require a formal amendment of this Agreement, but may be made by administrative action.

7. **Waiver of Subrogation**: Supplier hereby waives any right of subrogation on the part of its insurance provider against the University. Supplier shall ensure that its insurance certificates include the following language:

    The University of Tennessee, its Board of Trustees, officers, employees, agents, and volunteers are named as Additional Insureds with respect to the General and Automobile Liability policies. A Waiver of Subrogation applies to Workers Compensation and the General and Automobile Liability policies as evidenced on this certificate of insurance. All insurance policies above are primary and non-contributory to any other insurance available to the Certificate Holder. A thirty (30) day notice of cancellation is required.

8. During the term of this Agreement, Supplier must maintain the following insurance types and limits (or higher limits):

Workers Compensation (WC):	Statutory Limits – required in all contracts
Employers' Liability Each Accident	$ 100,000
Employers' Liability Disease – each employee	$ 100,000
Employers' Liability Disease – policy limit	$ 500,000
Commercial General Liability (CGL):	
Each Occurrence Limit	$ 1,000,000
Damage to Rented Premises – Ea. Occ.	$ 300,000
Medical Expense – any one person	$ 10,000
Personal & Advertising Injury Limit	$ 1,000,000
General Aggregate Limit	$ 2,000,000
Products/Completed Ops. Aggregate Limit	$ 2,000,000
Automobile Liability	
Combined Single Limit – each accident	$ 1,000,000

RESOLUTION TO APPROVE THE
BORROWING OF MONEY BY ANOTHER METHOD BY
THE UNIVERSITY OF TENNESSEE

<u>Recitals</u>

Whereas, the University of Tennessee ("UT"), on behalf of its Institute for Public Service ("IPS") currently leases (the "Lease) a total of 15,070 square feet of space (the "Space") in the Capitol Boulevard Building located at 226 Anne Davis Dudley Boulevard (f/k/a Capitol Boulevard), Nashville, Tennessee and is seeking to extend the Lease for another three (3) years; and

Whereas, the Space is occupied by programs under IPS and include Municipal Technical Advisory Service ("MTAS") and County Technical Advisory Service ('CTAS); and

Whereas MTAS and CTAS are planning in the next two to three years to relocate to a building on Polk Avenue in Nashville (the "Polk Avenue Building") where additional IPS services are located; and

Whereas, extending the Lease (the "Extended Lease"), where additional suitable space is available, will enable MTAS and CTAS to better deliver services to customers and increase efficiencies in terms of parking costs to employees and customers and other expenses.

Whereas, the Lease will presently expire on August 31, 2024; and

Whereas, the Extended Lease will be for three (3) years and UT will have right to terminate the Extended Lease upon one hundred and eighty (180) days' notice beginning August 31, 2025; and

Whereas, the Extended Lease will allow time for IPS to finalize leasing (with required approvals) of space in the Polk Avenue Building; and

Whereas, the proposed rental rate for the Extended Lease will be nineteen dollars and fifty cents ($19.50) per square foot per year for a total average annual effective cost of two hundred ninety-three thousand eight hundred sixty-five dollars and no cents ($293,865.00) which is a thirty per cent (30%) increase in the rental rate from the Lease; and

Whereas, such increase reflects the market value of rental increases in the robust downtown Nashville office market; and

Whereas, the Lease payments will be funded by UT through Plant Funds (Aux-Housing) (A).

BE IT RESOLVED BY THE TENNESSEE STATE SCHOOL BOND AUTHORITY:

1. In accordance with the authority provided by Tennessee Code Annotated Section 49-3-1205(11), the Tennessee State School Bond Authority (the "Authority") gives its approval for UT to enter into the Extended Lease.

BE IF FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of July 22, 2024.

Adopted by the Authority at its meeting on July 22, 2024.

____

JASON E. MUMPOWER, SECRETARY
TENNESSEE STATE SCHOOL BOND AUTHORITY

UNIVERSITY OF TENNESSEE

Acquisition – Lease Amendment (Space)

Requested Action: **Approval of a lease amendment**

Transaction Description: Transaction No.14-04-900

- **Proposed Amendment:**
  - **Term:** 13 years (September 1, 2014 – August 31, 2027)
  - **Area/Cost:** 15,070 square feet

Average Annual Contract Rent (incl. utilities and janitorial):	$293,865.00	$19.50/sf
Total Average Annual Effective Cost:	$293,865.00	$19.50/sf

- **Current Lease:**
  - **Location:** Davidson County – 226 Anne Dudley Dallas Blvd., Nashville, TN
  - **Landlord:** Tennessee Municipal League
  - **Term:** 10 years (September 1, 2014 - August 31, 2024)
  - **Area/Cost:** 15,070 Square Feet

Average Annual Contract Rent (incl. utilities and janitorial):	$226,050.00	$15.00/sf
Total Average Annual Effective Cost:	$226,050.00	$15.00/sf

- **Source of Funding:** Plant Funds (Non-Aux) (A)
- **Procurement Method:** Negotiated
- **FRF:** $26.50

Comment: The University's Institute for Public Service (IPS) requests a three (3) year extension of its current lease of 15,070 square feet of space in the Capitol Boulevard Building, with a Tenant right to terminate upon 180 days' notice beginning August 31, 2025, in order to provide flexibility with respect to potentially relocating IPS's Municipal Technical Assistance Service (MTAS) and County Technical Assistance Service (CTAS) programs to an alternative location. This current space is leased at a well-below market rate for Downtown Nashville, and a still-well-below market rate the Downtown market has been negotiated. Advertisement is not required per SBC Policy 7.02(B)(3).

Previous Action:

04/21/2014	ESC	Approval of lease agreement with waiver of advertisement
08/21/2017	ESC	Approval of lease amendment with waiver of advertisement

EXECUTIVE SUMMARY

BACKGROUND:

The University of Tennessee currently occupies a total of 15,070 square feet of space in the Capitol Boulevard Building at 226 Capitol Boulevard, Nashville, Tennessee. This was brought forward to ESC Staff as a discussion item in April 2024. The space is occupied by programs under the University's Institute for Public Service (IPS) and include:

- Municipal Technical Advisory Service (MTAS), which provides technical consulting, training and research to elected and appointed officials of Tennessee's 345 municipal governments. MTAS has offices in eight locations across the state including Nashville.
- County Technical Advisory Service (CTAS), which provides technical consulting and assistance to every aspect of county government including finance, budgeting, legal, environmental, highways, and public works, property assessments, and public safety.

These services are planning to relocate to the Polk Avenue Building offices where additional IPS services reside. This location, where additional suitable space is available, will enable MTAS and CTAS to better deliver services to customers and increase efficiencies in terms of parking costs to employees and customers and other expenses.

The requested transaction will extend the current lease (with an expiration of August 31, 2024) for short-term continuation of three (3) years with a tenant right to terminate upon 180 days' notice beginning August 31, 2025. This will allow time for IPS to finalize leasing (with required University and State approvals) of the new space.

The proposed rental rate for the extended term of $19.50 per square foot per year reflects a 30% increase in the rental rate. However, that increase reflects the market value of the University's space for the proposed term in the robust Downtown Nashville office market. In fact, as a comparable rental rate, STREAM recently agreed to and obtained ESC approval for a 10-year lease term extension for TACIR's comparable space in the Capitol Boulevard Building at a rate of $19.50 per square foot per year for a ten-year term.

REQUEST:

Request for approval of amendment of lease for the rental of real property as required by TCA 12-2-115.

July 9, 2024

To: David L. Miller, Chief Financial Officer

From: Robbie Pope, Director Real Property and Space Administration

JUSTIFICATION FOR TERMINATION FOR CONVENIENCE – 226 Capitol Boulevard Lease Extension

The University's Institute for Public Service ("IPS") programs, Municipal Technical Advisory Service (MTAS) and County Technical Advisory Service (CTAS), currently occupy space is the Capitol Boulevard Building, which is adequate for the short-term purposes of the University, but which poses certain challenges for the long-term, chief among them the very limited availability and rising cost of Downtown Nashville parking for employees and visitors, that IPS wishes to ultimately address by means of relocation of these programs for the long-term.

Approval is requested to extend the lease at 226 Capitol Boulevard for an additional three (3) years with a University option to terminate for convenience on 180 days' notice beginning on August 1, 2025, rather than upon 120 days' notice at any time during the lease term as required by SBC Policy 7.01.H. The "one year guaranteed term" and 180 days' notice of termination were key points of negotiation with the landlord in order for landlord to agree to the short-term extension that will provide the flexibility the University is seeking in connection with relocating MTAS and CTAS to space the University is simultaneously asking for approval to add to its leased space at 193 Polk Avenue via an amendment of that existing lease.

I have reviewed and approve this request.

DocuSigned by:
David Miller
6BFFC85430B140D...

David L. Miller
Chief Financial Officer

UNIVERSITY OF TENNESSEE

Lease Agreement

Requested Action: **Approval of lease agreement with waiver of advertisement**

Location: Davidson County – 226 Capital Boulevard, Nashville, TN – Trans. No. 14-04-900

Purpose: Office space

Term: September 1, 2014 – August 31, 2024 (10 years)

Proposed Amount:

Years 1-5		
15,756 rentable sf		
Annual rent cost including utilities and janitorial services:	$228,462.00	@ $14.50 / sf
Annual effective total cost:	$228,462.00	@ $14.50 / sf
Years 6-10 (if desired)		
15,756 rentable sf		
Annual rent cost including utilities and janitorial services:	$236,340.00	@ $15.00 / sf
Annual effective total cost:	$236,340.00	@ $15.00 / sf

Current Amount:

17,227 rentable sf		
Annual rent cost including utilities and janitorial services:	$241,178.00	@ $14.00 / sf
Annual effective total cost:	$241,178.00	@ $14.00 / sf

Type: Negotiated lease

Source of Funding: Existing appropriations and income from grant and contract programs

FRF Rate: $18.00/sq. ft. (for reference)

Lessor: Tennessee Municipal League

Comment: The University and the State have occupied space in this building since at least 1994. The ESC has previously approved waiver of advertisement and determined that this space is "special and unique" pursuant to TCA 12-2-114(b)(4). The co-location of the University departments (the Institute for Public Service including the Municipal Technical Advisory Service, County Technical Advisory Service, and Law Enforcement Innovation Center; and Governmental Relations) in this building with the clients they serve and in close proximity to Legislative Plaza is critical to their success.

University of Tennessee – continued:

The lease rate includes utilities and janitorial services. There are no rent escalations during the initial five year term. If the University does not exercise its right to terminate the lease after the first five years, then rent increases by $0.50/sf during the second five year term. The University may terminate the lease at any time for cause as outlined in the standard State lease template.

Minutes: 04/21/2014 ESC Approved lease agreement with waiver of advertisement.

C.

UNIVERSITY OF TENNESSEE

Acquisition - Lease Amendment

Requested Action:	Approval of a lease amendment with waiver of advertisement		
Transaction Description:	Trans. No. 14-04-900		
• Proposed Amendment			
o Area / Costs:	Years 1-5 (through August 31, 2019)		
	17,836 square feet		
	Annual Contract Rent (includes utilities and janitorial services)	$258,622.00	$14.50/sf
	Total Annual Effective Cost	$258,622.00	$14.50/sf
	Years 6-10 (if desired)		
	17,836 square feet		
	Annual Contract Rent (includes utilities and janitorial services)	$267,540.00	$15.00/sf
	Total Annual Effective Cost	$267,540.00	$15.00/sf
• Current Lease			
o Location:	Davidson County – 226 Capitol Boulevard, Nashville, TN		
o Landlord:	Tennessee Municipal League		
o Term:	September 1, 2014 – August 31, 2024		
o Area / Costs:	Years 1-5 (through August 31, 2019)		
	15,756 square feet		
	Annual Contract Rent (includes utilities and janitorial services)	$228,462.00	$14.50/sf
	Total Annual Effective Cost	$228,462.00	$14.50/sf
	Years 6-10 (if desired)		
	15,756 square feet		
	Annual Contract Rent (includes utilities and janitorial services)	$236,340.00	$15.00/sf
	Total Annual Effective Cost	$236,340.00	$15.00/sf
• Source of Funding:	Existing appropriations and income from grant and contract programs		
• FRF Rate:	$18.00/ sq. ft. (for reference)		

Comment: The University's Institute for Public Service Municipal Technical Advisory Service (MTAS) currently occupies space at this location and desires to increase its leased premises. MTAS works closely with other agencies in this building and the Nashville area and plans to relocate several employees from other offices to improve delivery of services to customers and increase efficiencies in terms of travel and other expenses.

Previous Action:	04/21/2014	ESC	Approved lease agreement with waiver of advertisement.
Minutes:	08/21/2017	ESC	Approved lease amendment with waiver of advertisement.

CERTIFICATION OF FUNDS

Please be advised that The University of Tennessee Institute for Public Service has adequate resources that are not encumbered or otherwise obligated from which to make related payments in accordance with the real property lease with **Tennessee Municipal League** in the amount of **two hundred ninety-three thousand eight hundred and sixty-five and 00/100 ($293,865.00) per year.**

David L. Miller

June 14, 2024

_______________________________ Date: _______________

David L. Miller
Senior Vice President & Chief Financial Officer

THIS INSTRUMENT PREPARED BY:
THE UNIVERSITYOF TENNESSEE
OFFICE OF REAL PROPERTY
505 SUMMER PLACE – UTT 990
KNOXVILLE, TN 37902

AMENDMENT II TO LEASE

This AMENDMENT II TO LEASE ("Second Amendment") is made and entered into as of the ______ day of _____________________, 2024, by and between **Tennessee Municipal League** (hereinafter referred to as "Lessor") and **The University of Tennessee** (hereinafter referred to as "University").

WITNESSETH:

WHEREAS, Lessor and University entered into a Lease Agreement (the "Lease" with reference number LE5674) dated June 18, 2014; and

WHEREAS, Amendment I to Lease was executed on August 24, 2017 to add square footage and modify the rental installments; and

WHEREAS, an Agreement was executed on May 8, 2020 for renovations to the fourth floor; and

WHEREAS, a Modification Agreement was executed on April 12, 2021 to terminate space on the second floor; and

WHEREAS, the parties now wish to memorialize Lessor's and University's agreement to extend the term and modify the rental installments and set forth certain other agreements as hereinafter provided; and

WHEREAS, capitalized terms used but not defined herein shall have the same meanings as capitalized terms used in the Lease, as amended.

NOW THEREFORE, in consideration of the mutual covenants made herein, the receipt and sufficiency of which are acknowledged, the parties agree to modify the Lease as follows:

1. **Section 5 Term of Lease** is amended as follows: The fourth line of Section 5 of the Lease stating "Expiration Date of Lease Term: August 31, 2024" shall be amended and replaced by "Expiration Date of Lease Term: August 31, 2027."

2. **Section 6 Termination for Convenience** is amended and replaced as follows:

   Tenant may terminate this Lease for any reason or no reason beginning August 31, 2025, provided that Tenant shall provide one hundred eighty (180) days' prior written notice to the Landlord.

3. **Section 7 Monthly Rental Installments Table** is amended as follows:

Lease Year(s)	Annual Rental	Monthly Rental Installment	Rental Rate per Square foot
1-5	$258,622.00*	$21,551.83*	$14.50
6-10	$267,540.00*	$22,295.00*	$15.00
11-13 (beginning Sept. 1, 2024)	$293,865.00**	$24,488.75**	$19.50

*based on 17,836 sq.ft.   **based on 15,070 sq.ft.

4. **As-Is**. Tenant acknowledges and accepts the Leased Premises as-is effective as of September 1, 2024.

5. **No Landlord Improvement**. Landlord and Tenant acknowledge and agree that this Second Amendment is not conditioned on provision of a tenant improvement allowance by Landlord to Tenant, nor is Landlord obligated to make improvements to the Leased Premises.

6. **Amendments** All sections of the Lease not amended by this Second Amendment shall remain in full force and effect. Any further amendments to the Lease shall be in writing and executed by the parties or their respective successors in interest.

7. **Partial Invalidity**. If any provision of this Second Amendment shall be deemed unenforceable, the remainder of this Second Amendment shall not be affected. Each provision of this Second Amendment shall be valid and be enforceable to the fullest extent permitted by law.

8. **Successors**. This Second Amendment shall bind and inure to the benefit of the legal representatives, successors and assigns of each of the parties.

9. **Governing Law**. This Second Amendment shall be governed by the laws of the State of Tennessee.

10. **Conflicts**. If any conflict exists between the terms of this Second Amendment and the terms of the Lease, the terms of this Second Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and date first above written.

SIGNATURE PAGE FOLLOWS

Lessor:
Tennessee Municipal League

By:______________________________
Anthony Haynes

Title: ___________________________

University:
The University of Tennessee

By:______________________________
Austin Oakes

Title: Associate Vice President

LESSOR NOTARY
STATE OF TENNESSEE
COUNTY OF _________________

Before me, ___________________________, Notary Public in and for the County and State aforesaid, personally appeared _________________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath acknowledged himself/herself to be, the within named Lessor, and that he/she, executed the foregoing instrument for the purposes therein contained

Witness my hand and seal, at office in ___________________, Tennessee, this the ____ day of __________________, 202__

____
Notary Public

My Commission Expires:
____

UNIVERSITY NOTARY
STATE OF TENNESSEE
COUNTY OF KNOX

Before me, ______________________________ Notary Public in and for the County and State aforesaid, personally appeared **Austin Oakes**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath acknowledged himself to be the **Associate Vice President of the University of Tennessee**, and that he as such Associate Vice President executed the within instrument for the purposes therein contained by signing the name of the entity by himself as such Associate Vice President.

Witness my hand and seal at office in Knox County, Tennessee, on this the _____ day _______________, 202 __.

____
Notary Public

My Commission Expires:
____

**RESOLUTION TO APPROVE THE
BORROWING OF MONEY BY ANOTHER METHOD BY
THE UNIVERSITY OF TENNESSEE**

<u>Recitals</u>

Whereas, the University of Tennessee's ("UT"), Institute for Public Service ("IPS") proposes to add up to twelve thousand (12,000) square feet of space (the "New Space") by an amendment (the "Amendment") to a current lease of forty-four thousand seven hundred forty-six (44,746) square feet of space (the Lease") in a building located at 193 Polk Avenue, Nashville, Tennessee (the "Polk Avenue Building"); and

Whereas, the Amendment would create the opportunity to relocate IPS' The Language Center ("TLC"), UT's Municipal Technical Assistance Service ("MTAS") and UT's County Technical Assistance Service ("CTAS") programs from other locations in Nashville to the Polk Avenue Building, providing the benefits of co-locating these groups; and

Whereas, UT has occupied space in the Polk Avenue Building since 2000; and

Whereas, UT now has an opportunity, and a desire, to lease the New Space on the first floor of the Polk Avenue Building; and

Whereas, the Lease initially provided space for UT's College of Social Work ("CSW"), IPS' Center for Industrial Services ("CIS") and UT's College of Pharmacy ("COP") and all three (3) entities were located in contiguous space on the second floor of the Polk Avenue Building and had ready access to UT's phone system, internet/computer infrastructure, shared joint use classrooms, library resources, and other equipment; and

Whereas, CSW, CIS and other IPS programs each currently provide valuable training and services in the Polk Avenue Building; and

Whereas, the New Space will offer flexibility for temporary relocation of current second floor uses while second floor areas are renovated and reconfigured, and will ultimately provide space suitable for the relocation and consolidation of the Nashville offices of TLC, MTAS and CTAS, which will offer synergies and efficiencies with the existing IPS uses at the Polk Avenue Building; and

Whereas, the terms of the Amendment are: UT proposes to amend the Lease to add the New Space on the first floor of the Polk Avenue Building for the remainder of the existing Lease term of seven (7) years. The New Space will be used as flex space to temporarily house existing uses during intended renovations for other portions of the leased premises.

The Amendment will add the New Space to the existing forty-four thousand seven hundred forty-six (44,746) square feet in the Lease for a total of fifty-six thousand seven hundred forty-six (56,746) square feet and the Amendment will continue through June 30, 2031. The combined total average annual effective cost for the existing and New Space beginning July 1, 2024, will be seventeen dollars and forty-eight cents ($17.48) a square foot or nine hundred seventy-four thousand four hundred and forty dollars and eight cents ($974,440.08) per year and such cost will increase one and one half percent (1.5%) each year thereafter. The landlord is responsible for maintenance, utilities, and janitorial. UT will pay its proportionate share of landlord's operating costs which will total twenty-two and fifteen one hundredths per cent (22.15%) of the landlord's operating costs for the combined existing and New Spaces (which proportionate costs are included in the combined total average annual effective cost set forth above), annual increases of which will be capped at three per cent (3%); and

Whereas, upgrades by the landlord will include repairing the walls, floors, lighting, built-in cubicles and desks, professional carpet cleaning, re-painting walls and built-ins in the New Space and adding restrooms in a common area on the second floor; and

Whereas, The landlord's improvement costs are estimated to be approximately one hundred and sixty thousand dollars ($160,000) and will be funded by the landlord in lieu of a tenant improvement allowance; and

Whereas, for convenience UT may terminate the Amendment at any time by giving written notice to the landlord at least 180 days prior to the date when such termination becomes effective; and

Whereas, payments for the Amendment will be funded by UT through existing state appropriations and program revenues.

BE IT RESOLVED BY THE TENNESSEE STATE SCHOOL BOND AUTHORITY:

1. In accordance with the authority provided by Tennessee Code Annotated Section 49-3-1205(11), the Tennessee State School Bond Authority (the "Authority") gives its approval for UT to enter into the Amendment.

BE IF FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of July 22, 2024.

Adopted by the Authority at its meeting on July 22, 2024.

____

JASON E. MUMPOWER, SECRETARY
TENNESSEE STATE SCHOOL BOND AUTHORITY

UNIVERSITY OF TENNESSEE

Acquisition – Lease Amendment (Space)

Requested Action:	**Approval of lease amendment with waiver of advertisement**

Transaction Description:	Transaction No. 10-12-901		
• **Proposed Amendment:**			
• **Location:**	Davidson County – 193 Polk Ave., Suite 1B, Nashville, TN		
• **Area/Cost:**	56,746 Square Feet		
	Annual Contract Rent (incl. utilities and janitorial):	$939,346.62	$16.85/sf*
	Total Average Annual Effective Cost:	$974,440.08	$17.48/sf*
• **Current Lease:**			
• **Location:**	Davidson County – 193 Polk Ave., Suites 2A, 2B, and 2C, Nashville, TN		
• **Landlord:**	SH/Polk Ave Associates, LLC		
• **Term:**	10 years (July 1, 2021 - June 30, 2031)		
• **Area/Cost:**	44,746 Square Feet		
	Current Annual Contract Rent (incl. utilities and janitorial):	$728,087.58	$16.27/sf**
	Total Average Annual Effective Cost:	$756,233.38	$16.90/sf**
	**through 6/30/24; Contract Rent escalates 1.5% effective 07/01/24		
• **Source of Funding:**	Plant Funds (Non-Aux) (A)		
• **Procurement Method:**	Negotiated		
• **FRF:**	$26.50		

Comment:

The University's Institute for Public Service (IPS) requests approval to add up to 12,000 square feet of space by an amendment to its current lease of 44,746 square feet of space in the Polk Avenue Building. This amendment would create the opportunity to relocate IPS's The Language Center (TLC), Municipal Technical Assistance Service (MTAS), and County Technical Assistance Service (CTAS) programs, from other locations in Nashville to this building, providing the benefits of co-locating these groups.

The current Polk Avenue Second Floor space (Suites 2A, 2B and 2C) is leased at a below-market rate for this area of Nashville, and this landlord, which the University has had a positive experience with, is offering this additional space on the same terms, including the same rental rate per square foot as Suite 2C. 2C was also added to the lease after 2A and 2B, so it has a slightly higher per square foot rental rate. The double asterisked rental rate above reflects the blended rates for 2A, 2B, and 2C, while the single asterisked rental rate above reflects the blended rates for all three Second Floor suite and the proposed First Floor suite.

Previous Action:

12/18/2010	ESC	Approval of lease agreement with waiver of advertisement
09/23/2019	ESC	Approval of lease amendment with waiver of advertisement

EXECUTIVE SUMMARY

BACKGROUND:

In 2000, the University issued an RFP and the State Building Commission Executive Subcommittee (ESC) approved the lease of 38,996 square feet for ten (10) years. The space was owned by Nashboro/Polk Avenue, LLC located at 193 Polk Avenue in Nashville, Tennessee and has since been sold to SH/Polk Ave Associates, LLC. In December 2010, the ESC approved a new lease that allowed for continued occupancy for an additional ten (10) years. In 2013, the University exercised its right to terminate the lease with respect to 2,000 square feet. In 2019, the ESC approved amending the lease to add an additional 7,750 square feet on the second floor to the leasehold. The University now has an opportunity, and a desire, to lease an additional 12,000 square feet on the first floor, which was brought forth to ESC Staff as a discussion item in April 2024, in conjunction with the proposed short-term extension amendment of the Capitol Boulevard Building lease.

The Lease initially provided space for the University's College of Social Work (CSW), the Institute for Public Service's (IPS) Center for Industrial Services (CIS) and College of Pharmacy (COP). All three (3) entities were located in contiguous space on the second floor and had ready access the University's phone system, internet/computer infrastructure, shared joint use classrooms, library resources, and other equipment.

The University's CSW occupies approximately 29,496 square feet. Its space is comprised of offices, classrooms, training rooms and a library. CSW provides a Professional Social Work Education Program which prepares undergraduate and graduate students for social work practice and doctoral level graduate students for social work research and academia. The Polk Center houses the Hodges Library and Social Work Office of Research and Public Service. In addition to its full-time faculty members, the Nashville campus draws upon the research and teaching resources of 16 universities and colleges within the Nashville-Davidson County area. In addition, its Research and Services Institute consists of the following: 1. Children's Mental Health Services Research Center; 2. Social Work Office of Research and Public Services; and 3. Veterinary Social Work.

The UT CIS, headquartered at Polk Avenue in Nashville, is an agency of the UT Institute for Public Service and occupies approximately 7,500 sq. ft. of space. Its space is comprised of offices, classrooms, training rooms, and a conference room. The Tennessee General Assembly established UT CIS in 1963 to provide industrial extension services to the state's manufacturers. UT CIS provides training and technical assistance to achieve its mission of helping Tennessee business and industry increase competitiveness, productivity and profitability.

As a public service agency, UT CIS does not offer academic degrees. The agency does, however, offer a variety of training programs which range from one to five days and award continuing education units (CEUs). Some programs provide industry recognized certifications to participants. UT CIS training programs address business needs in health and safety, environmental compliance, process improvement, quality of services, and related areas.

The College of Pharmacy occupied approximately 2,000 square feet, but it was later terminated in 2018. In 2021, the University amended the lease to add an additional 7,750 square feet for the IPS Training Center, which offers a variety of technology enabled meeting spaces for various IPS programs and non-University organizations training sessions and meetings.

The additional square footage sought now will offer flexibility for temporary relocation of current second floor uses while second floor areas are renovated and reconfigured, and will ultimately provide space suitable for the relocation and consolidation of the Nashville offices of IPS's The Language (TLC), Municipal Technical Assistance Service (MTAS) and County Technical Assistance Service (CTAS), which will offer synergies and efficiencies with the existing IPS uses at the Polk Avenue Center.

TERMS:
The University proposes to amend the current lease to add approx. 12,000 square feet on the first floor for the remainder of the existing term of seven (7) years for IPS. The additional space will be used as flex space to temporarily house existing uses during intended renovations for other portions of the leased premises.

The lease for the existing 44,746 square feet would continue through June 30, 2031. The rental rate beginning July 1, 2024 for the 36,996 square feet contained in Suites 2A and 2B is $16.47 per square or $609,451.76 per year and increases 1.5% each year. The rental rate for the 7,750 square feet contained in Suite 2C increased from $16.47 per square foot to $16.71 per square foot effective 7/1/24. The landlord is responsible for maintenance, utilities, and janitorial. The University will pay its proportionate share (currently 17.47%) of landlord's operating costs, annual increases of which are capped at 3%.

The lease term for the additional 12,000 square feet would commence upon completion of build-out and end on June 30, 2031. The rental rate is $16.71 per square foot, or $200,520 per year, which also increases 1.5% each year. The landlord is responsible for maintenance, utilities, and janitorial. The University will pay its proportionate share (an additional 4.68% for a total proportionate share of 22.15%) of landlord's operating costs, annual increases of which are capped at 3%.

Based on conceptual plans, the configuration of the first-floor space can be used with no demolition. However, upgrades by the Landlord will include repairing the walls, floors, lighting, built-in cubicles and desks and the carpet will be professionally cleaned by the Landlord, as well. Landlord will also re-paint the walls and built-ins to the University's specifications. Lastly, Landlord will add restrooms in a common area on the second floor that are needed to better serve the University's second-floor spaces. The Landlord's improvement costs are estimated to be approx. $160,000. The landlord will plan, contract and fund this Landlord improvement work in lieu of a TI Allowance.

For convenience the University may terminate this lease at any time by giving written notice to the Lessor at least 180 days prior to the date when such termination becomes effective.

This space is unique in that it is in the same building as other University and IPS uses, and there will be synergies and efficiencies possible for that reason. A market survey shows this rate to be at or below market. As a result, waiver of advertisement is requested.

FUNDING:

Existing state appropriations and program revenues.

REQUEST:

Review of a request for APPROVAL OF AMENDMENT OF LEASE and WAIVER of ADVERTISEMENT as required by TCA 12-2-115.

UNIVERSITY OF TENNESSEE

LEASE AGREEMENT

Review of a request for APPROVAL of the following LEASE AGREEMENT for the rental of real property and WAIVER of ADVERTISEMENT as required by TCA 12-2-115:

Location:	**Davidson County – 193 Polk Avenue, Nashville, TN – Trans. No. 10-12-901 (Baltz)**		
Purpose:	To provide office and related space for the College of Social Work, Institute of Public Service and the College of Pharmacy.		
Term:	July 1, 2011 thru June 30, 2021 (10 years)		
Proposed Amount:	38,966 Square Feet & 150 parking spaces		
	Annual Contract Rent Incl. Utility & Janitorial Cost	$510,864.00	@$13.10 / sf
	Total Annual Effective Cost:	$510,864.00	@$13.10 / sf
Current Amount:	38,966 Square Feet & 150 parking spaces		
	Annual Contract Rent Incl. Utilities & Janitorial Cost:	$510,864.00	@$13.10 / sf
	Total Annual Effective Cost (A):	$510,864.00	@$13.10 / sf
Type:	New lease		
FRF Rate:	$18.00		
Lessor:	Nashboro/Polk Avenue, LLC		
Comment:	Lease can be cancelled at any time for convenience after January 1, 2013 with 180-days notice. In addition, 2,000 sq. ft. can be cancelled for convenience at any time with 90-days notice.		
SSC Report:	12-13-10. Robbi Stivers summarized the transaction. In 2000, an RFP for the Lease was publicly bid by the State. The space was build-out to the University's specifications. The proposed rate of $13.10, including utilities and janitorial, is the same rate that has been paid over the past ten (10) years; no increases. University tenants often share conference rooms, technology resources and equipment, library resources, technology and the telephone system. The cost to relocate will be expensive. Lessor has agreed to replace all floor coverings, paint, replace signage, and make certain other improvements. The Lease can be cancelled at any time for convenience after January 1, 2013 with 180-days notice. In addition, 2,000 sq. ft. can be cancelled for convenience at any time with 90-days notice. Staff referred to Sub Committee with recommendation.		

University of Tennessee – continued:

SC Action: 12-22-10. Melanie Buchanan presented the transaction. Treasurer Lillard asked if a 10-year lease was an unusually long term under these circumstances. Robbi Stivers responded that, after January 1, 2013, the lease can be cancelled with a six-month notice. Treasurer Lillard asked if the rate was locked in for the 10-year period and if there was an escalating clause. Mr. Stivers responded that the rate was locked in and there was no escalating clause. Subcommittee approved the request as presented.

C.

UNIVERSITY OF TENNESSEE

Acquisition - Lease Amendment

Requested Action:	Approval of a lease amendment with waiver of advertisement		
Transaction Description:	Transaction No. 10-12-901		
• Proposed Amendment			
o Term:	July 1, 2001 – June 30, 2031		
o Area / Costs:	36,996 square feet		
	(includes maintenance, utilities, and janitorial)		
	Twenty First Year Contract Rent	$582,687.00/yr	$15.75/sf
	Average Annual Contract Rent (Years 1-30)	$530,976.29/yr	$14.35/sf
	Estimated Operating Expense Increase (max)	$5,549.40/yr	$0.15/sf
	Total Annual Effective Cost (Years 1-30)	$536,525.69/yr	$14.50/sf
o Term:	Completion of Build Out – June 30, 2031		
o Area/Costs:	7,750 square feet		
	(includes maintenance, utilities, and janitorial)		
	First Year Contract Rent	$122,062.50/yr	$15.75/sf
	Average Annual Contract Rent	$130,640.10/yr	$16.86/sf
	Estimated Operating Expense Increase (max)	$1,162.50/yr	$0.15/sf
		$131,802.60/yr	$17.01/sf
• Current Lease			
o Location:	University of Tennessee – Knoxville / Institute for Public Service		
	Davidson County, 193 Polk Avenue, Nashville, TN		
o Landlord:	SH/Polk Ave Associates, LLC		
o Term:	July 1, 2001 through June 30, 2021		
o Area / Costs:	36,996 square feet	$484,647.60/year	$13.10/sf
	(includes maintenance, utilities and janitorial)		
• Source of Funding:	Existing state appropriations and program revenues		
• FRF Rate:	$21.00/sf (for reference only)		

Comment:

In 2000, an RFP was issued and the ESC approved the lease of space at the Polk Center. This space was subsequently built out to the University's specifications. In 2010, the ESC approved a new ten year lease for the space. The University proposes to extend the agreement for an additional ten years and add an additional 7,750 square feet for the Institute of Public Service. Rent for additional space will commence upon buildout. Rent for the existing space will not increase until July 1, 2021. The additional space will be used as a training center to support training and technical assistance to business and industry across the state. Parking needs are significant and this location can meet those requirements. This lease can be terminated for convenience with 180 days-notice.

The interior of the space has recently been refurbished by the landlord and no upgrades are needed to the existing space. Landlord will fund approximately $200,000 for the build out of the additional space. Based on a rental rate at or below market, adequate parking for large groups, and meeting occupancy requirements, waiver of advertisement is requested.

Previous Action:	12/18/2010	Approved a lease agreement
Minutes:	09/23/2019	Approved a lease amendment with waiver of advertisement

CERTIFICATION OF FUNDS

Please be advised that The University of Tennessee Institute for Public Service has adequate resources that are not encumbered or otherwise obligated from which to make related payments in accordance with the real property lease with **SH/Polk Ave Associates, LLC** in the amount of **two hundred eight thousand eighty and 00/100 ($208,080.00) per year.**

David L. Miller

June 14, 2024

______________________________ Date: ______________

David L. Miller
Senior Vice President & Chief Financial Officer

AMENDMENT II TO LEASE AGREEMENT

This AMENDMENT II TO LEASE AGREEMENT ("Amendment") is made and entered into as of the day of ________, 2024, by and between **SH/Polk Avenue Associates, LLC** (hereinafter referred to as "Lessor") and **The University of Tennessee** (hereinafter referred to as "University").

WITNESSETH:

WHEREAS, Nashboro/Polk Avenue, LLC and University entered into a Lease Agreement (the "Lease") dated March 27, 2011, as amended by Amendment 1 to Lease Agreement dated as of December 3, 2019 (collectively the "Lease"); and

WHEREAS, the parties now wish to amend the Lease and to set forth certain other agreements as hereinafter provided; and

WHEREAS, capitalized terms used but not defined herein shall have the same meanings as capitalized terms used in the Lease.

NOW THEREFORE, in consideration of the mutual covenants made herein, the receipt and sufficiency of which are acknowledged, the parties agree to amend the Lease as follows:

1. **Description.**

   The University desires to expand the Premises by approximately 12,000 rentable square feet, therefore the Premises are more particularly described as follows:

   a) Suite 2A and Suite 2B containing a total of 36,996 rentable square feet located on the second floor of the Polk Center (the "Building"), 193B Polk Avenue, Nashville, Tennessee 37210 ("Suites 2A and 2B"), as referenced in Amendment I to Lease Agreement.
   b) Suite 2C containing 7,750 rentable square feet located on the second floor of the Building ("Suite 2C"), as referenced in Amendment 1 of the Lease.
   c) Suite 1B containing 12,000 rentable square feet located on the first floor of the Building ("Suite 1B"). See Exhibit A attached hereto for further reference.

   Hereinafter the Premises shall be deemed to contain 56,746 rentable square feet, subject to University's Space Audit rights under Section 21 of the Lease.

2. Term. Paragraph 3 of the Lease is amended by adding the following:

> The term for Suite 1B shall commence upon completion of Landlord's 1B Work (as defined in Section 4 below)and shall be coterminous with the Lease, ending on June 30, 2031. The term for Suites 2A, 2B and 2C shall remain as defined in the Lease and unchanged.

3. **Base Rent and Additional Rent.**

<u>Base Rent.</u>

a) In addition to the Base Rent provided in the Lease for Suites 2A, 2B and 2C, commencing at Occupancy, (estimated as July 1, 2024 and continuing until June 30, 2031, the University shall pay rental for Suite 1B in **arrears** on the **last** day of the payment period as follows: during the first year annual rent of **$200,520.00**, payable in installments of **$16,710.00** per **month**. Any partial lease year's Base Rent and Additional Rent shall be pro-rated. University will thereafter pay an annual Base Rent escalation of 1.5% over the prior year's rate.

b) Rent payable hereunder for any period of time less than one month shall be determined by prorating the monthly rental herein specified, based on the actual number of days in the month. Rental shall be paid to the Lessor at the address specified in Paragraph 6 or to such other address as the Lessor may designate by a notice in writing.

<u>Additional Rent.</u>

In addition to the Base Rent to be paid, University also agrees to pay directly, the following items of expense as the same become due and payable:

a) University shall pay Lessor as Additional Rent a sum equal to University's Proportionate Share (as defined below) of the amount by which Operating Expenses (as defined below) exceed the Operating Expenses for the Base Year (as defined below). If the first and/or last years of the Extended Term shall not coincide with a calendar year, then University's Proportionate Share of Operating Expenses attributable to the partial calendar year shall be prorated on the basis of the ratio between the number of days of such partial calendar year and 365. Any increase in Operating Expenses shall be capped at 3% over the prior year.

   i. For purposes of this section the "Base Year" shall be the periods:

      - Calendar year 2019 for Suite 2C.

      - Calendar year 2021 for Suites 2A and 2B.

- Calendar year 2023 for Suite 1B.

ii. For purposes of this section the following definition shall apply: The term "University's Proportionate Share" shall mean **22.15%**

The University's Proportionate Share shall be calculated by dividing the rentable area as set forth in Section 1 of this Amendment, by the total rentable area of the Building, which is hereby stipulated to be Two hundred fifty-six thousand one hundred seventy-one (256,171) square feet.

iii. Operating Expenses shall mean and include:

All expenses relating to the Building, the land and their common area and, including all costs of operation, maintenance and management therefor, ad valorem real estate taxes (excluding interest or penalties for late payment) and the costs, including, without limitation, of contesting or attempting to reduce any of the said taxes, the cost of labor, materials, repairs, insurance, utilities, and services and such other expenses with respect to the operation, maintenance and management of the Building, the land and their common areas and parking areas all of which expenses shall be incurred or paid by or on behalf of Lessor or are properly chargeable to Lessor's operating expenses in accordance with generally accepted accounting principles; as applied to the operation, maintenance and management of a first class building. The foregoing expenses or costs shall be grossed up, if necessary, to reflect occupancy of ninety five percent (95%) of the rentable space in the Building.

Notwithstanding the foregoing, it is agreed that Operating Expenses shall not include: any leasing or marketing or brokerage costs, fees, or commission, any cost of upfitting space for occupancy by tenants; any amortization of principal or interest on account of any indebtedness; any legal expenses arising out of any misconduct or negligence of Lessor or any person for which Lessor is responsible or arising out of dealings between any principals constituting Lessor or arising out of any leasing, sale or financing of the Building or the land or any part of either of them; or, except as expressly permitted above, any amortization or depreciation.

iv. It is acknowledged and agreed that it will not be possible to determine the actual amount of the excess (if any) of Operating Expenses over the Operating Expenses for the Base Year for a given calendar year until after the end of such calendar year. Therefore, until University's liability for University's Proportionate Share of Operating Expenses in excess of the Operating Expenses for the Base Year shall have been finally determined for a particular calendar year, University shall make payment on account of such excess as follows:

(i) Lessor shall make a good faith estimate of Operating Expenses for such calendar year and University's Proportionate Share thereof (hereinafter (Estimated

Operating Expenses" and "University's Estimated Proportionate Share"), and University shall pay to Lessor, as Additional Rent with each monthly installment of Base Rent, an amount equal to one-twelfth (1/12) of University's Estimated Proportionate Share of the amount by which Estimated Operating Expenses for the current calendar year are estimated to exceed the Operating Expenses for the Base Year. Such payments for any partial month shall be paid in advance at the daily rate equal to the monthly payment divided by the number of days in the month for which the same is due. On or about December 1 prior to each calendar year in respect of which University shall be obligated to make payments on account of excess Operating Expenses during the Extended Term (and any renewal of extension thereof), Lessor shall furnish to University a statement for such calendar year of University's Estimated Proportionate Share and of Estimated Operating Expenses and thereupon, subject to the limitations expressed above, as of such December 1, University shall make payments under this Paragraph 4(a)(iv)(i) in accordance with such statement.

(ii) On or before April of each calendar year and each April 1 thereafter, Lessor shall furnish University with a statement setting forth the total amount of University's Proportionate Share of the amount by which Operating Expenses for the preceding calendar year exceeded the Operating Expenses for the Base Year. If any such statement shall show an overpayment or underpayment of University's Proportionate Share of excess Operating Expenses for the preceding calendar year, any overpayment shall be refunded to University or credited against payments due from University under this Lease, and the full amount of any underpayment shall be paid to Lessor by University not later than thirty (30) days after such statement shall have been delivered to University.

(iii) University shall have the right, at University's expense and no more frequently than once per calendar year, to inspect Lessor's books and records showing Operating Expenses for the calendar year in question; provided, however, University shall not have the right to withhold any payments of University's Proportionate Share of excess Operating Expenses due and payable hereunder the amount of which may be in dispute, and University must pay the entire amount due and payable hereunder prior to reviewing Lessor's books and records. In the event University's inspection of Lessor's books and records reveals a verifiable error in Lessor's computation of University's Proportionate Share of excess Operating Expenses resulting in an overpayment by

University, Lessor shall reimburse University for such overpayment. All costs incurred by University in obtaining University's accountants inspection of Lessor's books shall be paid by University unless University's accountants disclose an error of more than ten percent (10%) in the computation of the total amount of Operating Expenses as set forth in the statement submitted by Lessor, in which event Lessor shall pay the reasonable costs incurred by University in obtaining such inspection (not to exceed $1,500.00). Lessor's statement setting forth the total amount of University's Proportionate Share of excess Operating Expenses furnished to University in accordance with the provisions of this Paragraph 4 shall be deemed to have been approved by University unless protested by University in writing within one (1) year after delivery of the statement or an amended statement to University.

(iv) Any contest by Lessor of ad valorem real estate taxes shall not relieve University of the obligation to continue to make payments of University's Proportionate Share of Operating Expenses during the pendency of such a contest; provided that promptly upon reduction in the amount of any such taxes, Lessor shall credit University for University's Proportionate Share of such savings.

(v) Base Rent and Additional Rent may from time to time be referred to herein collectively as "Rent".

4. **Tenant Improvement Allowance.** Lessor shall contract for and pay, in lieu of a Tenant Improvement Allowance, the costs associated with the design, permitting and construction of the build-out of the second-floor restrooms (the "Restroom Build-out"), as previously discussed by Lessee and Lessor, which Restroom Build-out is estimated to cost $123,451.00. Tenant shall not be responsible for any excess costs associated therewith. The Restroom Build-out shall be promptly commenced as soon as reasonably possible after the effective date hereof and completed in a reasonably expeditious manner, but in no event later than December 31, 2024. In addition, Lessor agrees to contract for and pay for the following improvements to Suite 1B of the Premises: the carpets to be professionally cleaned, the Suite 1B restrooms to be repaired as needed, the Suite 1B walls to be repaired as needed and painted to the University's specifications, and ensure all Suite 1B built-in desks and cubicles be restored to proper functionality and any damage thereto repaired (collectively, the "Landlord's 1B Work").

5. **Amendments** All sections of the Lease, as previously amended, that are not amended by this Amendment shall remain in full force and effect. Any further amendments to the Lease shall be in writing and executed by the parties or their respective successors in interest.

6. **Partial Invalidity.** If any provision of this Amendment shall be deemed unenforceable, the remainder of this Amendment shall not be affected. Each provision of this Amendment shall be valid and be enforceable to the fullest extent permitted by law.

7. **Successors.** This Amendment shall bind and inure to the benefit of the legal representatives, successors and assigns of each of the parties, except that no assignment or subletting by the University without the written consent of the Lessor shall vest any right in the assignee or sublessee of the University.

8. **Governing Law.** This Amendment shall be governed by the laws of the State of Tennessee.

9. **Conflicts.** If any conflict exists between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and date first above written.

SIGNATURE PAGE FOLLOWS

LESSOR:

SH/Polk Avenue Associates, LLC

By:__________________________

Name: _______________________

Title:______________________

UNIVERSITY:

The University of Tennessee

By: _______________________

Name: ____________________

Title: ___________________

Approved as to Form and Legality

By: _____________________

Jonathan Skrmetti, Attorney General and Reporter

ACKNOWLEDGEMENTS TO FOLLOW

LESSOR NOTARY

STATE OF TENNESSEE
COUNTY OF ________________

Before me, the undersigned notary of the State and County aforesaid, personally appeared __________________, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself/herself to be ____________ of _______________________, the within-named bargainor, and that he/she as such officer, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself/herself as such officer.

WITNESS my hand and seal at office in __________, this ______day of ________, 2024.

____
Notary Public

My Commission Expires: ________________________

UNIVERSITY OF TENNESSEE NOTARY

STATE OF TENNESSEE
COUNTY OF KNOX

Personally appeared before me, the undersigned Notary Public for Knox County, ______________________, with whom I am personally acquainted or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged that he/she is the _______________________ of the University of Tennessee and that he/she as officer, being authorized so to do, executed the foregoing instrument for the purpose therein contained by signing the name of the University of Tennessee by himself as officer.

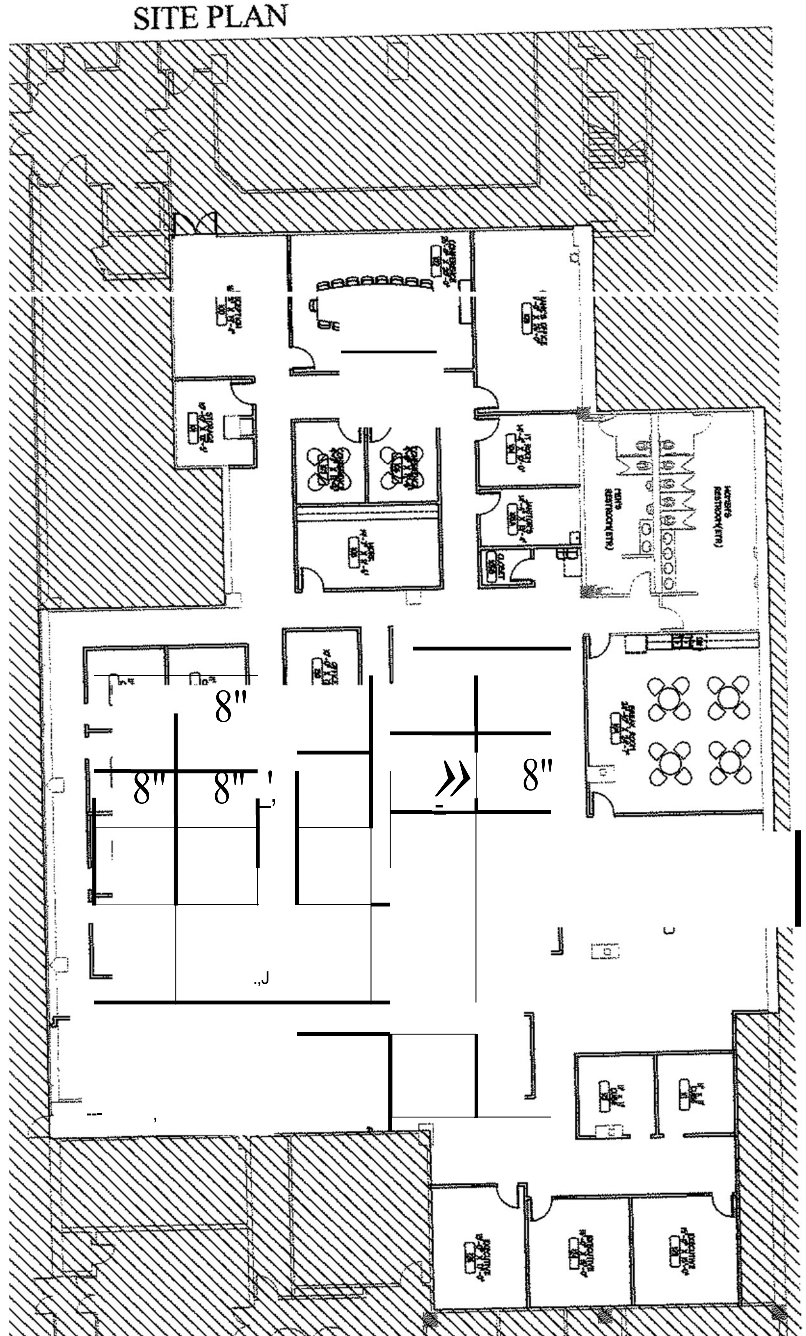
WITNESS my hand and seal at office in _________ this ___ day of ________, 2024.

____
Notary Public.

My Commission Expires: ________________

EXHIBIT A

SITE PLAN



Tennessee State School Bond Authority

Debt Programs

As of June 30, 2024

(unaudited)

Higher Educational Facilities Program

	Taxable	Tax-Exempt	Total
Bonds Outstanding	$858,085,000	$842,215,000	$1,700,300,000

	Taxable	Tax-Exempt	Total
Revolving Credit Facility Outstanding	$13,971,323	$48,902,784	$62,874,107
Interest Rates (based on Term SOFR)	5.64300% - 6.11920%	4.51040% - 4.88336%	

Qualified School Construction Bonds Program

	Series 2009	Series 2010	Total
Bonds Outstanding	$177,000,000	$212,440,000	$389,440,000

	Series 2009	Series 2010	Total
Sinking Fund (Book Value)	$163,128,631	$182,082,854	$345,211,485