

MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority
FROM: James A. MacDonald, First Deputy Treasurer, Chief Executive Officer
Mary Pichetti, Executive Director
DATE: August 21, 2024
RE: Authorization to Execute a Lease Agreement for Office Space

The Massachusetts School Building Authority's ("MSBA") current lease agreement at 40 Broad Street expires on June 30, 2025. The MSBA published a Request for Proposals ("RFP") on March 27, 2024, inviting proposals for a new office lease in downtown Boston. The MSBA posted the RFP on the MSBA's website, on COMMBUYS (a web-based market center for the Commonwealth of Massachusetts) and advertised the RFP in the Central Register. The RFP included the MSBA's proposed space program based on a hybrid work schedule and considering an expanded workforce.

The Director of Administration and Operations and the General Counsel appointed five MSBA staff members to serve on the Procurement Management Team ("PMT"): Madeline Esdale, Karl Brown, Matt Donovan, Brian Kelley, and Phil Daley. Siobhan Tolman, the Procurement and Contract Manager, participated in providing guidance to the PMT.

The MSBA received 16 proposals to the RFP by the April 29, 2024, deadline. Subsequently, the MSBA's PMT met on May 8, 2024, to review and discuss the 16 proposals based on the criteria established in the RFP. Based on a review of the 16 proposals to the RFP, the PMT shortlisted nine of the 16 proposals for further consideration, including the MSBA's current office space. The PMT conducted site visits at eight of the nine shortlisted office spaces. Subsequently, the PMT met again on May 15, 2024, and further shortlisted five office spaces for further review based on the criteria included in the RFP, the cost analysis, and the observations from the site visits.

The MSBA, in conjunction with its tenant representative, Jones Lang LaSalle, which firm was procured by the MSBA through a separate procurement process, requested that each of the shortlisted landlords provide clarifications on their test fits based on the MSBA's space program needs and to further clarify their offer terms. The MSBA's architectural consultant, Dyer Brown & Associates, which firm was procured by the MSBA through a separate procurement process, conducted reviews of the test fits provided by the shortlisted landlords. The MSBA then further shortlisted the group to two options, one of which is the current lease office space at 40 Broad Street in Boston. The MSBA then worked with Dyer Brown & Associates to prepare test fits to complete a further detailed evaluation of the two options. There were additional negotiations and counterproposals. The MSBA then completed its final evaluation and analysis of the proposals, and as approved at the June 26, 2024 Board of Directors meeting, the MSBA executed a Letter of Intent with the conditionally selected property owner.

Having worked with the landlord under the terms of the Letter of Intent, the MSBA is pleased to notify the Board that the MSBA has determined that the lease deal for 10 Post Office Square provides the best value for the MSBA and best meets the terms of the MSBA's business needs.

Of the final two shortlisted properties, the deal terms negotiated for 10 Post Office Square are more favorable for the MSBA. The negotiated base rent for both options is the same cost per square foot, but the agreement with 10 Post Office Square provides three additional months of free rent compared

with the other option, and most importantly, the agreement for 10 Post Office Square provides a tenant improvement allowance that surpasses the other shortlisted option. The cost comparison between the two locations over the course of the lease term breaks down to approximately \$375,000 less per year for the leased space at 10 Post Office Square. This is in part because the landlord for 10 Post Office Square plans to provide the space in turnkey condition and has provided an additional amount to offset the MSBA's FF&E, tel/data, and move costs. The difference in cost is also supported by the square footage being leased by the MSBA, which is 18,596 rentable square feet at the 10 Post Office Square option, as compared to 20,604 rentable square feet at the 40 Broad Street option. Some key features of the proposed lease deal for 10 Post Office Square are: two 5 year options to renew, an option to terminate after 7 years, early access to the space for the MSBA to move in and prepare for business operations, and a discretionary allowance to help defray certain costs for the MSBA.

Today, MSBA staff is recommending that the Board of Directors authorize the Executive Director to execute a lease for office space for the MSBA offices with NS Boston III PO Owner, LLC, the landlord of 10 Post Office Square in Boston, Massachusetts, for a term of 10 years, plus a period of free rent, for 18,596 rentable square feet on the 4th floor of 10 Post Office Square in Boston, Massachusetts, for a total cost that will exceed the \$250,000 threshold that requires approval from the Board of Directors, such lease shall be in a form that the Executive Director may determine to be acceptable, the final terms of which lease shall specify the aforementioned terms, with other terms to be negotiated between the MSBA and NS Boston III PO Owner, LLC.

Key details of the lease are as follows:

1. Building: 10 Post Office Square, Boston
2. Landlord: NS Boston III PO Owner, LLC
3. Premises: Approximately 18,596 RSF on the 4th floor. The USF of the Premises is approximately 14,849 USF
4. Lease Term: Ten (10) years, with option to terminate after seven (7) years *Stated 10 year and 7 year terms do not include the period of free rent.
5. Base Rent Information:

Rental Period	Annual Base Rent	Monthly Base Rent
Lease Year 1	\$1,004,184.00 [^]	\$83,682.00
Lease Year 2	\$1,024,267.68	\$85,355.64
Lease Year 3	\$1,044,753.03	\$87,062.75
Lease Year 4	\$1,065,648.09	\$88,804.01
Lease Year 5	\$1,086,961.06	\$90,580.09
Lease Year 6	\$1,108,700.28	\$92,391.69
Lease Year 7	\$1,130,874.28	\$94,239.52
Lease Year 8	\$1,153,491.77	\$96,124.31
Lease Year 9	\$1,176,561.60	\$98,046.80
Lease Year 10	\$1,200,092.84	\$100,007.74
[^] Annualized		