

Schedule 13
Funding Request for the 2013-14 Budget Cycle

Department: Governor's Office Economic Development Programs
 Request Title: Leased Space General Fund Increase
 Priority Number: R-3

Dept. Approval by: *Alvin [Signature]* 10-15-12
 Date

OSPB Approval by: *Frank [Signature]* 10/19/12
 Date

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|--|
| <input checked="" type="checkbox"/> Decision Item FY 2013-14 |
| <input type="checkbox"/> Base Reduction Item FY 2013-14 |
| <input type="checkbox"/> Supplemental FY 2012-13 |
| <input type="checkbox"/> Budget Amendment FY 2013-14 |

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
	Fund	Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
Total of All Line Items	Total	231,540	-	231,540	129,322	129,322
	FTE	-	-	-	-	-
	GF	231,540	-	231,540	129,322	129,322
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
(4) Economic Development Programs- Leased Space	Total	231,540	-	231,540	129,322	129,322
	FTE	-	-	-	-	-
	GF	231,540	-	231,540	129,322	129,322
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Not Required
 Reappropriated Funds Source, by Department and Line Item Name: Not Required
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments: Not Required
 Other Information: Not Required



GOVERNOR'S OFFICE ECONOMIC DEVELOPMENT PROGRAMS

John W. Hickenlooper
Governor

Kenneth W. Lund
Executive Director

FY 2013-14 Funding Request

November 1, 2012

Kenneth W. Lund
Signature

10/16/12
Date

*Department Priority: R-3
Request Title: Leased Space General Fund Increase*

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Leased Space General Fund Increase	\$129,322	\$129,322	0.0

Request Summary:

The Office of Economic Development and International Trade (OEDIT) is requesting an increase in its annual General Fund appropriation from \$231,540 to \$360,862. The increase is to cover OEDIT's projected lease costs beginning in FY 2013-14. OEDIT's current lease expires June 30, 2013 and this request is based on competitive cost comparisons for available properties.

Problem or Opportunity:

OEDIT's lease space located at 1625 Broadway, Suite 2700 expires on June 30, 2013. Due to market conditions, the new lease for OEDIT's 14,337 rentable square footage is projected to be at an adjusted rate (net of state exemption for property taxes) of \$25.17, which is a \$6.57 per square foot increase. On an annual basis, the lease amount is \$360,862 which is \$129,322 higher than OEDIT's current appropriation.

Since the original lease was negotiated in 2005, market conditions have increased dramatically. The 1625 Broadway property has sold twice during this timeframe, in 2006 for \$151 per square foot and again in 2008 for \$205. Therefore, the ownership cost basis has increased significantly, along with similar increases for the

majority of the Central Business District, resulting in higher leasing costs. In fact, between 2006 and 2008 nearly 80% of the Downtown office properties sold. Market and building vacancy rates are very low and 1625 Broadway is currently 94% leased.

This funding request is expected to provide sufficient funding to cover the new projected costs based on comparable market research.

Brief Background:

The circumstances that created the funding request is the expiration of OEDIT's current lease and current higher priced leasing market conditions, resulting in increased costs.

Proposed Solution:

The proposed solution is to execute a lease for the projected amount described in this request, with the new lease to begin July 1, 2013.

Alternatives:

OEDIT has engaged the state's Tenant Agent acting on behalf of the state, Jones Lang LaSalle, to identify competitive building leases and to assist in negotiating the best rate. Other properties have been identified and reviewed,

including 1560 Broadway and 1290 Broadway; however, the other properties are considerably higher in costs. Lower cost options have not been identified.

Anticipated Outcomes:

The anticipated outcome is for OEDIT to execute a new lease at a competitive current market rate for the period beginning July 1, 2013.

Assumptions for Calculations:

OEDIT has calculated the new rate by taking the Gross Lease Expense (lease and operating expenses) of \$28.00 per square foot less the state's property tax exemption projected at \$2.83 which equals an adjusted lease rate of \$25.17. The \$25.17 per square foot cost multiplied by the 14,337 rentable space is \$360,862, which is \$129,322 greater than OEDIT's current appropriation of \$231,540.

Consequences if not Funded:

OEDIT will not have sufficient funds to cover their lease expenses.

Impact to Other State Government Agency:

N/A

Cash Fund Projections:

N/A

Relation to Performance Measures:

N/A

Supplemental, 1331 Supplemental, or Budget Amendment Criteria:

N/A

Current Statutory Authority or Needed Statutory Change:

No Statutory changes will be necessary. OEDIT primarily utilizes 24-48.5-101, C.R.S. as its authorizing statute, along with various statutes for specific programs, which includes but is not limited to:

- Encouraging the expansion and retention of Colorado businesses through business recruitment, retention, and expansion assistance;
- Coordinating the marketing of Colorado as a site for expansion or relocation projects for companies in other states or countries;
- Coordinating job training and management and financial assistance to existing Colorado companies or to out-of-state companies which are considering expansion or relocation in Colorado;
- Providing services to small businesses in Colorado in order to help them expand or remain in business;
- Provide technical assistance and research support for business recruitment, retention, and expansion assistance programs supported by local government and private-public partnerships; and fostering a positive business climate by advising the governor and the general assembly on issues affecting the business community.