RESOLUTION TO APPROVE THE LEASE OF OFFICE SPACE AND PARKING THROUGH CLAREMONT CONSTRUCTION GROUP, INC. TO SUPPORT THE OPERATION OF THE UNIVERSITY

WHEREAS, New Jersey Institute of Technology, as part of the 2020 Vision Strategic Plan, has examined it facilities needs through a comprehensive master planning process, and,

WHEREAS, the administration has examined the opportunity to avoid constructing additional on campus space and parking to accommodate near term space and parking needs, and,

WHEREAS, after careful consideration of the foregoing factors, the administration has negotiated favorable terms with a developer to provide 20,000 gross square feet of office space for use by associated entities and non-academic functions and 166 parking spaces within a to be developed facility contiguous to the NJIT campus, and,

WHEREAS, the total of lease cost for these facilities, not to exceed $18,500,000 over the 16 year lease term, including operating costs, has been determined to avoid both the cost to construct technically complex space on the campus and the use of limited on campus land assets for the construction of parking, and,

WHEREAS, the funds for these expenditures will be budgeted as operating expenses in future budget years and partially offset by increased parking revenues and rent from affiliated entities, and

NOW THEREFORE IT BE RESOLVED that the Board of Trustees authorizes the administration to negotiate the final terms and conditions, as reviewed and approved by counsel and analyzed by an independent real estate market expert, of the lease of 20,000 gross square feet of office space and 166 parking spaces for a not-to-exceed cost of $18,500,000 over the 16 year lease term, including operating costs, from Claremont Construction Group, Inc. or a single purpose entity controlled by the principals of the firm.

Holly C. Stern, Esq.
General Counsel/Vice President of Legal Affairs and Secretary to the Board of Trustees
New Jersey Institute of Technology

July 20, 2017
Board Resolution No. 2018-5
NEW JERSEY INSTITUTE OF TECHNOLOGY

STATEMENT

RESOLUTION TO APPROVE THE LEASE OF OFFICE SPACE AND PARKING THROUGH CLAREMONT CONSTRUCTION GROUP, INC. TO SUPPORT THE OPERATION OF THE UNIVERSITY

Background:

New Jersey Institute of Technology, as part of the 2020 Vision Strategic Plan, has examined its facilities needs through a master planning process. As part of that process, short term needs were determined to include additional space for the growing Biomedical Engineering and Cybersecurity programs and additional parking to serve the students, faculty, and staff. Despite the recent completion of a new parking structure, the additional campus population has taxed the available parking infrastructure.

The NJIT Administration, working with a developer having interest in properties north of the campus, examined the opportunity to avoid constructing additional on campus space and parking through leasing of office space and parking from the developer. By relocating associated functions, including, but not limited to NJEdgenet (currently pays NJIT a small administrative fee) and other to be determined administrative support functions, space would be made available in the Guttenberg Information Technology Center (~2,700 asf) and Fenster Hall (~7,800 asf) to accommodate the growth of Biomedical Engineering and the Cybersecurity Department in Ying Wu College of Computing without the need for new construction. Each of these functions could be relocated to properties adjacent to the campus without significant impact to operations and allow for the growth to occur while saving NJIT’s debt capacity for future academic expansion in later years. This conforms to the findings of the Facilities Master Planning effort for the 2020 space needs of these academic areas.

The administration has negotiated favorable terms with the developer to provide for one year of free rent to minimize the short-term budget impact, deferring the first rental payment for the office space to FY20 and providing for a fit out allowance to complete the space without NJIT capital. Furniture to outfit the space will be funded by NJIT from the annual capital renewal and replacement (CRR) budget. In addition, the renovation of the vacated space in GITC and Fenster Hall will be renovated with CRR funds. Over the term of the 16 year lease, NJIT will have avoided over $10M in construction cost for the 20,000 gross square feet of highly technical space, which already exists on the campus, but is occupied by less technical functions. Leasing the space also allows for maintenance of all important adjacencies for academic departments, critical to delivering a quality academic experience to our students.

Analysis of revenues to offset the expenses of the leased space and parking, prepared by the Office of University Budgeting (attached), shows an impact to the NJIT operating budget in FY19 ($270,460) and FY20 ($272,138) versus the increased parking revenue from the growth in student population and staff salary increases and the cost recovery from the NJIT affiliate organizations. Beyond FY20, the incremental revenue outpaces the expense. However, despite the short term impact to the operating budget, the need for parking for our predominately commuter population is eminent. Comparing the lease to acquiring land (~$3M) and constructing a facility on our own (~$5.1M), NJIT will pay approximately $400-$500K more, however this will be accomplished without utilizing limited available land, critical to the future expansion of the University, for parking, which has an intangible benefit and reserves debt capacity for academic facilities.
Despite the recently completed parking garage, which added over 300 spaces to our overall parking capacity, we have experienced 100% occupancy during peak times in the fall of 2016. We expect similar issues in the fall of 2017 despite renewing a lease for an overflow lot a few blocks from the campus. In the 2013 parking study completed by Tim Haahs Associates, it was anticipated that an additional 500 parking spaces would be required and available in the Gateway Redevelopment project by 2020. Since that remains slow to materialize due to forces beyond NJIT’s control, this additional parking will assist us in meeting the demand in the near term in a location contiguous to the campus.

**Implication:**

- Leasing 20,000 gross square feet of office space will allow for the growth of two critical academic programs, Biomedical Engineering and Cybersecurity, with an estimated avoided cost of $10M.
- The additional 166 parking spaces provide for a near term solution to a critical problem as our campus population grows, without utilizing the limited land assets of the University and debt capacity, allowing them to accommodate our academic needs in the future.

**Recommendation:**

Authorize the Administration to execute the non-binding Letter of Intent and negotiate the final terms, with the assistance of outside counsel and as analyzed by an independent real estate market expert, for the lease for 20,000 gross square feet of office space and 166 parking spaces for a 16 year term for a total, not to exceed cost of $18,500,000 including operating expenses.