



RE 101

Real Estate 101

State of Colorado
July 2015

Section **1**

Real Estate Programs /
Department of
Personnel and
Administration



Introductions



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Responsibilities

Real Estate Programs establishes policies and procedures and provides oversight for state leases and other real estate contracts for executive branch agencies and institutions of higher education. This process includes statutory approval of all leases; coordination with the state's contracted real estate brokers; maintaining the inventory of state-owned and leased property; annually reporting acquisitions, dispositions and lease summaries to the Capital Development Committee of the General Assembly; and development and administration of office space standards for leased space and strategic real property strategies.

While the state's leasing program is the largest single responsibility of Real Estate Programs, other areas of real estate activities are also included such as purchase of real estate for the state, sale or lease of state-owned real estate, and negotiation and execution of licenses, rights-of-way and easements, either on non-state land for the use of the state, or on state land for the use of private parties.

Additionally, Colorado statutes require that all acquisitions and dispositions of real estate by all agencies and institutions of higher education, except the State Land Board and CDOT rights-of-way, must be reported to Real Estate Programs. Real Estate Programs then uses this information to fulfill its statutory responsibility of maintaining a current inventory of all state owned real estate.

When to Contact Real Estate Programs

- If you are unclear in the process or "next step"
- If you can't find the information that you are looking for on the OSA Website www.colorado.gov/osa
- If you have questions concerning Property Tax or Common Area Expense (Additional Rent)
- If you have any other questions

Parties to a Real Estate Transaction

- Agency
 - Procurement / Contracts Unit (Most Important - You!)
 - Executive Directors Office / University President or Dean
 - Controller's Office Delegated or Non-delegated
- Vendor we are contracting with (typically the Landlord / Landlord's Broker)
- Real Estate Programs (Mike Karbach or Brandon Ates)
- Possibly the State's Broker (Depends on the location)
- Possibly Risk Management – If general template is unmodified then approval by Risk Management is not necessary
- Possibly Attorney General's Office

Introductions



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Introductions



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Responsibilities

With limited exceptions, all state agencies and institutions MUST utilize contracted real estate brokerage services when leasing or purchasing property in any of the nine counties covered by the contracts (Contract Brokers). In turn, when requested by a state agency, Contract Brokers MUST provide the service. Regardless of the contractual obligation to utilize the Contract Brokers' services, Real Estate Programs has found that assistance from professional real estate brokers provides significant advantages to state agencies and institutions. In a leasing situation, the Contract Brokers' assistance up-front can save the agency time, money and frustration by assisting with needs assessment and space programming. In addition, the Contract Brokers' knowledge of the real estate market can help agencies find locations that meet their needs while assuring that state dollars are spent wisely. The Contract Brokers, in collaboration with the tenant agency, will conduct the negotiations with the landlord and/or its agent. In addition, the Contract Brokers will draft the lease and contract documents. There is no cost to state agencies and institutions for the Contract Brokers' services, but rather, as is the customary practice in the real estate industry, the Contract Brokers are paid a commission by the lessor/seller of the property where an interest in real estate is being acquired.

Real Estate Programs, through its authority under §24-30-1303, C.R.S. and §24-80-102, C.R.S., has contracted with real estate brokers in the seven county Denver metro area and in El Paso and Pueblo Counties to be the state's sole source agents for acquiring real estate interests

How Having the Brokers Benefits the State

Since 1989 the State of Colorado Department of Personnel & Administration has entered into exclusive contracts with real estate brokers to assist state agencies and higher education institutions in negotiating real estate leases. Colorado has been a leader in this area – many other states are just now following suit. Since its inception, tenant broker representation has reduced the workload of not only the Office of the State Architect and Real Estate Programs, but also the agencies involved, allowing them to concentrate on their operations rather than on real estate needs. The result has been improved service to the agencies' clients, cost savings, and improved fit between agency needs and real estate occupancies.

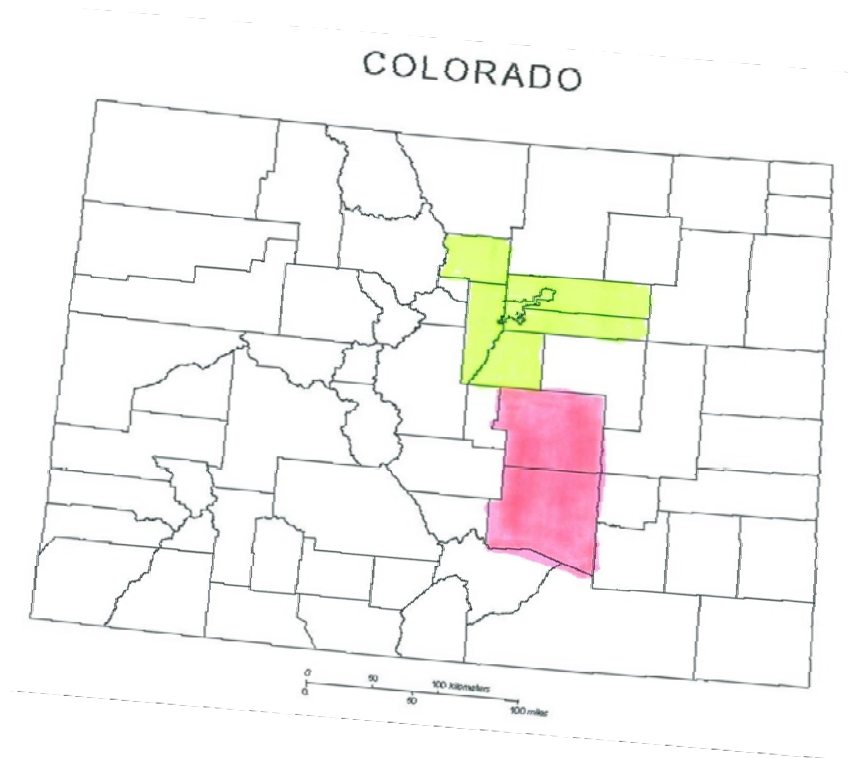
Nonetheless, The Office of the State Architect and Real Estate Programs is often asked why we use tenant brokers. Here are some of the reasons why.

Hiring an exclusive broker can assist a tenant by:

1. Determining immediate and future space requirements through an in-depth knowledge of the tenant's program;
2. Providing an accurate and complete picture of the market opportunities
3. Helping tenants objectively evaluate all the options by preparing useful reports and analyses;
4. Establishing a fiduciary relationship, which allows the broker to act as an extension of the tenant;
5. Exercising market leverage as a result of broker's expertise, and creating a competitive environment of alternatives;
6. Enhancing or preserving future landlord-tenant relationships with the broker conducting negotiations as an intermediary, thereby diminishing any direct confrontation between principals;
7. Creating a single point of contact;
8. Saving time;
9. Assisting in the whole transaction process; and, most importantly
10. Achieving the best price for the State of Colorado.

What Area of Colorado the Brokerage Teams Cover

Currently the State has the benefit of being able to use the State Real Estate Services Vendor (“Broker”) for the Front Range from Boulder down to Pueblo. 58% of all leased property is located in this area. In order to make sure that the State is benefiting from local knowledge on these markets there are two vendors providing this expertise – JLL and Quantum Commercial Group.



- Services the entire Denver Metro Area (Adams, Arapahoe, Boulder, Broomfield, Denver, Jefferson & Douglas Counties) (highlighted in green)
- They have a worldwide presence of 58,000 people across 230 corporate offices in more than 80 countries. More importantly they have 60 brokers in their Denver Office giving the State a great deal of knowledge during the negotiation and execution of Real Estate Transactions.



- Services Colorado Springs and Pueblo (El Paso and Pueblo Counties) (highlighted in pink)
- A company that specializes in Southern Colorado specifically Colorado Springs and Pueblo, they give the State outstanding knowledge and expertise while having a great insight that only comes from local experience.

What Area of Colorado the Brokerage Teams Cover

For leases outside of the Brokerage Area there are many options open to the agency involved

- Real Estate Programs can assist them in trying to find a local Broker to help in the search for suitable space.
- One of the current brokerage teams can see if they can assist in the transaction (typically very close to the current brokerage area)
- The agency can look for space themselves with the assistance of Real Estate Programs
- By having a conversation with Real Estate Programs it is typically very easy to figure out which approach would be the best for the agency involved.

Real Estate Programs Website

The Real Estate Programs Website has a ton of great information on it including:

- All currently approved real estate forms such as:

All Currently Approved Real Estate Forms such as:

- Lease Agreements – Gross; Base Year; NNN
- Lease Amendments
- Interagency Leases
- State Property Lease (State Agency Owns the Property)
- Parking License Agreement
- Easement Agreements
 - State as Grantor
 - State as Grantee
- Space Request Form
- Broker Performance Evaluation

Detailed Tax Exemption Information such as:

- List of Assessors
- Copy of the Actual Colorado Revised Statute 39-3-124
- PowerPoint Presentation on how the process works
- Calculation Tool in Excel
- Example Letter to the Landlord

Description and Contact Information for the “Contracted Broker Services”

Detailed Information Regarding “Space Standards”

Chapter by Chapter Policy and Procedures Manual

Overview of the Lease Templates

Gross Lease

Tenant pays only what is listed in the Rent Table and Landlord is responsible for payment of all expenses for the property.

Base Year

Landlord will pay for all expenses listed in the Base Year but if the expenses increase the Tenant will be liable for any increases during the remainder of the term.

NNN Lease

Tenant pays not only what is listed in the Rent Table but also all operating expenses associated with the space leased.

When to Use Each Lease Form

- Gross Templates should be used the most frequently as they are the easiest for budgeting future expenses.
- Base Year Templates are the most commonly used in metropolitan office areas. The majority of Denver Leases Downtown would be on this template.
- NNN Lease Templates are used historically for retail or industrial applications

When to Use a Lease Form and When to Use an Amendment

Use a New Lease Form if any of the following issues have occurred;

- Substantial changes to the Lease Form since the last revision (the revision date is on the footer of all lease documents)
- A major modification is being made to the lease (more than changing one of the parties or extending the term)
- An Amendment Form should only be used when a simple modification to the original lease document is being made.
- If there are already two amendments to the Lease, contact Real Estate Programs for approval before preparing third amendment.
- If you are still unsure please contact Real Estate Programs or the Contracted Broker.

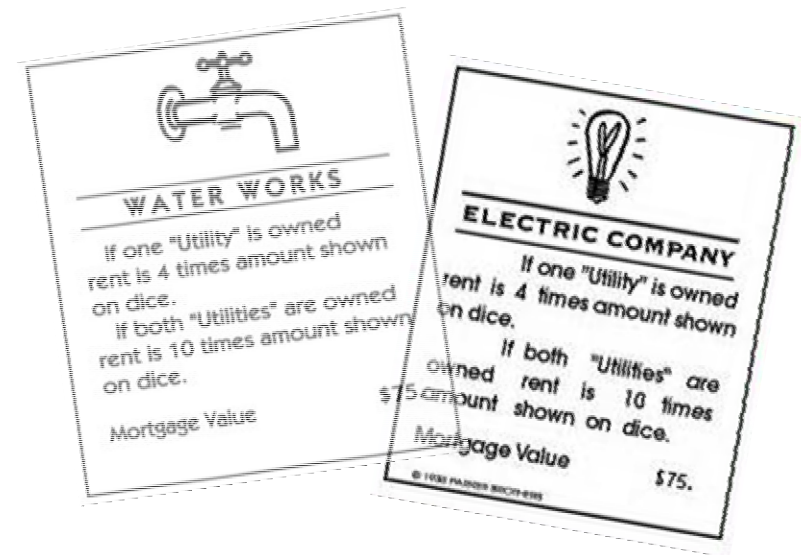
Section *2* Operating Expenses



Lease Types

Triple-net (NNN)

- Office Lease – Landlord typically sets annual budget and bills tenant for all operating expenses monthly, then reconciles at year's end
- Industrial Lease
- Landlord bills Tenant for Common Area Maintenance (CAM's) which include:
 - Property Taxes
 - Building Insurance
 - Building maintenance (roof, structure, utility service to building)
 - Snow Removal, common trash
 - Common areas (exterior lighting, parking, etc.)
 - Property management costs
- Tenant may pay their utilities directly
 - Gas & electric, water, sewer and communications



Lease Types

Modified Gross (MG or Net)

- Typically industrial or “flex” buildings, sometimes office where tenant pays own electricity sometimes on a separate meter

Base Year – Gross Lease (FSG)

- “Full service,” includes all operating expenses and utilities
- Base year determines Opex budget for static year set in the lease
- When operating expenses increase over time, tenant pays difference monthly
- Annual reconciliation and adjustment. Payment by tenant or possible credit


“True” Gross Lease

- Includes all operating expenses and utilities in a single, monthly bill. Rent amount is set at beginning of lease for each year and it remains unchanged.

State Lease Template & Operating Expense Provisions

- STANDARD – [NNN LEASE]
- STANDARD – [BASE YEAR LEASE]
- STANDARD – [GROSS LEASE]

STATE OF COLORADO
DEPARTMENT OF PERSONNEL AND ADMINISTRATION
OFFICE OF THE STATE ARCHITECT
REAL ESTATE PROGRAMS



STANDARD – [BASE YEAR LEASE]
LEASE AGREEMENT [IMPROVED REAL PROPERTY]

LANDLORD Landlord Name, Inc.

TENANT State of Colorado, acting by and through the Department of

LOCATION Denver, CO

Article 26 – Additional Rent

Opex Cap

- “...each year’s operating expense actual shall not increase by more than 7% on a non-cumulative basis”

Tenant’s Proportionate Share

- “...the numerator of which is the total number of rentable square feet of the Premises (i.e., 10,000 rentable square feet)”
- “...the denominator of which is the Rentable Area of the Building (i.e., 100,000 rentable square feet)”
- $10,000 \text{ RSF} / 100,000 \text{ RSF} = .1 \text{ or } 10\%$

Lease Year

- “...means each twelve (12) month period beginning with the date the Lease term commenced, or any anniversary thereof, and ending on the same date one (1) year later.”

Article 26 – Additional Rent

Operating Expenses

- "...means all operating expenses of any kind or nature, which are necessary, ordinary, or customarily incurred in connection with the operation and maintenance of the Building as reasonably determined by Landlord's Accountants, subject to Tenant's right to audit under Article 26 2 (iii), under generally accepted accounting principles ("GAAP") consistently applied as practiced within the United States of America.
- Operating expenses shall include the following:
 - Taxes:
 - State's tax exempt status (under rent table): "CRS §39-3-124 exempts real property leased by the State of Colorado from the levy and collection of property taxes. Therefore, the Estimated Additional Rent / RSF and the Total Term Rent as shown above does not include any tax based upon real property. Also, the Estimated Additional Rent / RSF is an estimate only, and Landlord shall have the right to adjust this amount annually per Article 26 (A) Additional Rent.
 - Property taxes, assessments, surcharges, service or other fees...levied on the Building
 - Lighting, supplies, maintenance and repairs, snow and ice removal, insurance premiums, labor costs, management fees, legal, accounting, capital and structural improvements "designed expressly to reduce, and that results in the reduction of, Operating Expenses"



Article 26 – Additional Rent

Operating Expenses

- Operating expenses shall not include:
 - Tenant charge work for other tenants
 - Costs that insurance covers
 - Leasing commissions, advertising, etc.
 - Reimbursed utilities
 - Condemnation costs
 - Capital improvements
 - Depreciation and amortization
 - Single tenant improvement benefits
 - Overhead and profit
 - Interest on debt
 - Parking operator costs
 - Government fines
 - Wages, salaries, etc. for employees above that of building manager
 - Art, decorations, etc.
 - Lost income, etc., etc.



Article 26 (2) – Adjustment Mechanism

- On or before April 1st, Landlord specifies the Excess Opex amount
- New lease year payments spread over remaining months in the year
- Prior balance from previous year paid in 30 days
- If overpayment from previous year, Landlord to credit tenant against next payment.
- From Lease: "...On or before April 1st, following the end of each Lease Year, Landlord shall submit to Tenant a statement setting forth the exact amount by cost category (e.g., repairs and maintenance, janitorial services, security services, insurance, management fees, utilities) of the Excess Operating Expenses, if any, for the Lease Year just completed and the estimated amount of any Additional Rent (Tenant's Proportionate Share of any Excess Operating Expense that was paid in accordance with this subparagraph) for such year. Such statement shall also set forth the amount of the estimated Additional Rent reimbursement, as limited above, for the new Lease Year computed by taking the estimated excess in Tenant's Proportionate Share of Operating Expenses for the new Lease Year and dividing it by the number of months remaining in the new Lease Year. To the extent that Additional Rent for any period covered by such statement is greater than the estimated amount which Tenant previously paid during the Lease Year just completed, Tenant shall pay to Landlord the difference, as calculated above, within thirty (30) days following receipt of said statement from Landlord. To the extent that Additional Rent for the period covered by the statement is less than the estimated amount which Tenant previously paid during the Lease Year just completed, Landlord shall credit the difference against Tenant's estimated Additional Rent for the new Lease Year as stated above and such credit will be applied to the next payment or payments due from Tenant to Landlord."

Reconciliation

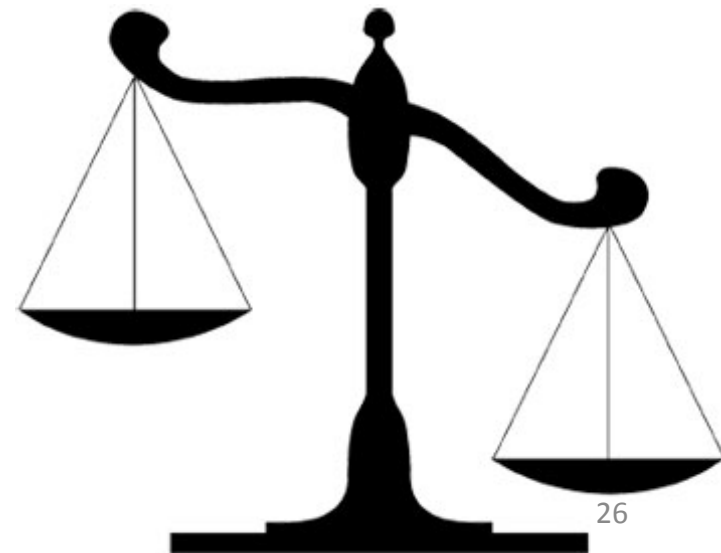
Reconciliation Statement, Here Is What You Can Do For A Desktop Review!

	2012	2013
	<u>Actuals</u>	<u>Estimated</u>
Operating Costs	\$2,365,167	\$3,152,655
Less: Base Year	<u>\$1,831,822</u>	<u>\$1,831,822</u>
Equals: Excess	\$ 533,345	\$1,320,833
Times: Pro rata	<u>x</u> 25%	<u>x</u> 25%
Amount Owed	\$ 133,336	\$ 330,208
Less: Amt Paid	<u>\$ 100,244</u>	<u>*****</u>
Due From Tenant	\$ 33,092	\$ 27,517/mo



Market Norms and Market Trends

- Denver Metro Area – leases becoming increasing more NNN in nature.
- Reason – out of state buyers and investors such as national REIT's, Pensions, institutions and International buyers are purchasing buildings and standardizing their lease templates.
- In the case of an industrial property, a NNN lease is much simpler for a landlord as tenant is responsible for maintenance, repair and taxes, insurance and utility charges.
- In an office building, a landlord would prefer a NNN lease because they potentially better control the total budget, obtain buying power (economies of scale across each service and cost category) by standardizing purchasing of materials, labor, etc. and passing on a lower, more economically advantageous pricing to the tenant.



Section *3* Tenant Improvements



Allowance vs. Turnkey

Allowance – do it yourself

- \$ per SF allowance for tenant improvements
- Landlord provides tenant with a specified allowance to be used for:
 - Tenant Improvements
 - Architectural work
 - Permit costs
 - FF&E – Negotiable
 - Rent Credit – Negotiable

Turnkey – hiring out

- Landlord builds out space per specified plans
 - Detailed plans must approved by tenant prior to lease signature
 - Changes made to plan after lease signature are considered a change order and cost increases are usually outside the scope of the lease
 - Larger time commitment on front end from tenant, quicker process to market



Base Building

Slab to Slab



Above the Grid



HVAC

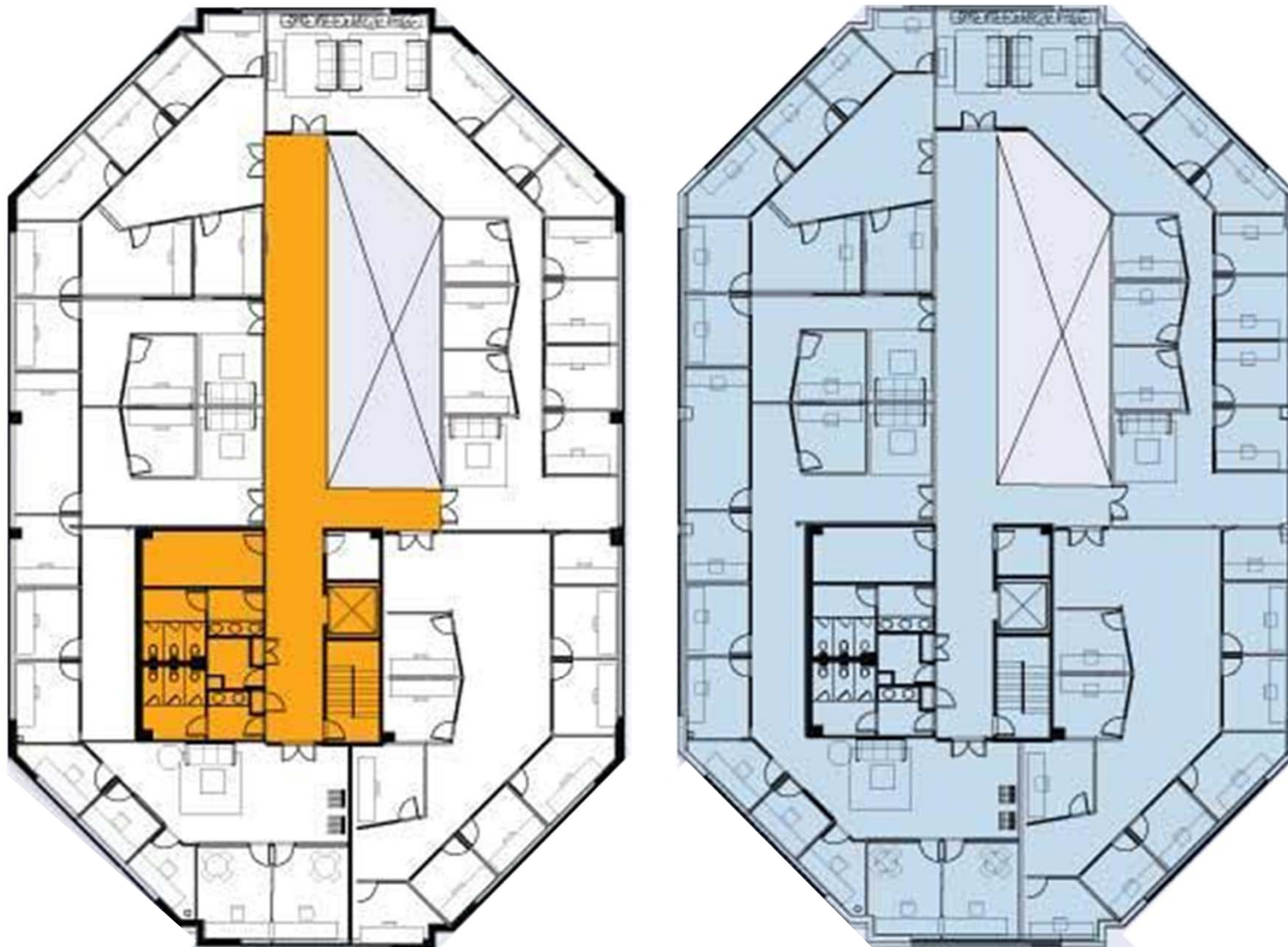


Lighting



Square Footage Measurements

- Useable vs. Rentable



Space Planning

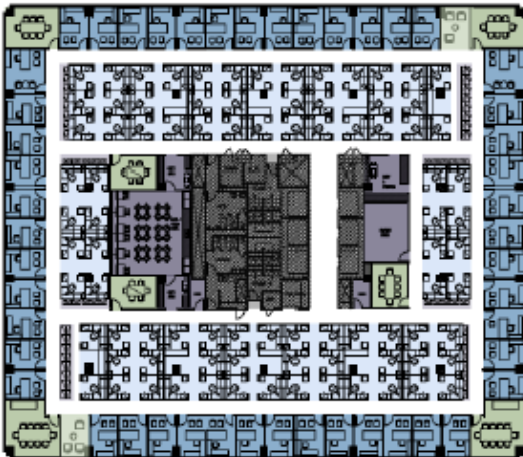
- Test fits
 - Architectural process (RNL / Landlord's architect)
 - Building efficiency
 - Mullion spacing
 - Bay depth
 - Vertical penetrations
 - Floorplate shape
- Construction documents (CD's)
- Permitting
- Budget pricing



“Workplace”

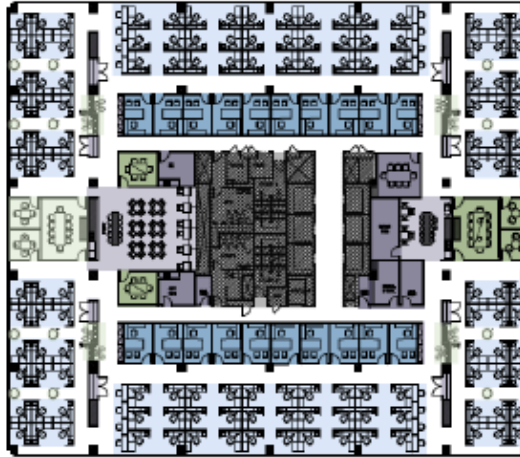
- Efficiency
- Productivity
- Technology
- Collaborative work environment
- LEED Vs. “Heathy” Workplace

Legacy Plan



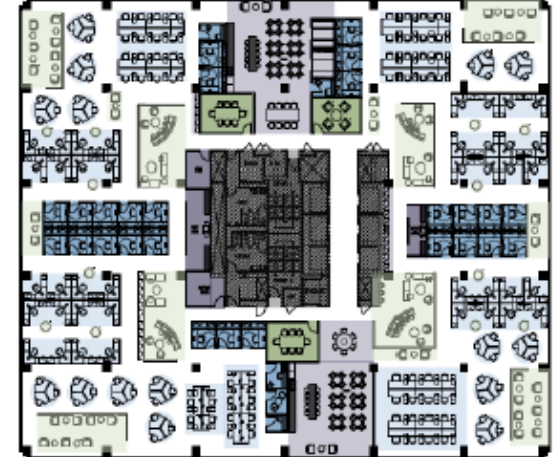
People:	134
Sq. ft./person:	202
I Space: (sq. ft. %)	79%
We Space:	21%

Current Plan



People:	168
Sq. ft./person:	161
I Space: (sq. ft. %)	73%
We Space:	27%

Future Plan



People:	176-243
Sq. ft./person:	111-153
I Space: (sq. ft. %)	58%
We Space:	42%

Move Costs

- Furniture
- IT
- AV
- Physical Move



Total Project Budget Summary - Diamond Hill



Project Name: BBB
Address: Diamond Hill
Denver, CO
Project Size: 11,993

Project Manager: Cally Harris
Date: July 28, 2015
Start:
Finish:

Description	09/03/14 Budget NEW FURN	09/03/14 Budget REUSE FURN	Cost/SF				Comments
CONSTRUCTION & TENANT IMPROVEMENT ITEMS							
1 ARCHITECTURAL & ENGINEERING							
1.01 Architectural	\$ 22,186.00	\$ 22,186.00	\$ 2.00				
1.02 MEP Engineering Fee	\$ 8,319.75	\$ 8,319.75	\$ 0.75				
1.03 Structural Engineer			\$ -				
1.05 Reimbursables	\$ 554.65	\$ 554.65	\$ 0.05				
1.06 As-Built	\$ 1,109.30	\$ 1,109.30	\$ 0.10				
1.07 SUBTOTAL	\$ 32,169.70	\$ 32,169.70	\$ -	\$ 2.90	\$ -	\$ -	
2 PROJECT MANAGEMENT							
2.01 Jones Lang LaSalle Project Management	\$ 18,200.00	\$ 18,200.00	\$ 1.64				
2.02 Landlord Project Management	\$ 3,954.14	\$ 3,954.14	\$ 0.36				1%
2.03 SUBTOTAL	\$ 22,154.14	\$ 22,154.14	\$ -	\$ 2.00	\$ -	\$ -	
3 CONSTRUCTION							
3.01 Office Construction Cost	\$ 375,000.00	\$ 375,000.00	\$ 33.81				
3.02 Accepted Alternates			\$ -				
3.03 Pending Change Orders			\$ -				
3.04 Permit Expediter			\$ -				
3.05 Keying	\$ 1,663.95	\$ 1,663.95	\$ 0.15				
3.06 Contingency	\$ 18,750.00	\$ 18,750.00	\$ 1.69				5% Contingency
3.06 SUBTOTAL	\$ 395,413.95	\$ 395,413.95	\$ -	\$ 35.65	\$ -	\$ -	
4 VOICE AND DATA							
4.01 Voice and Data Cabling	\$ 22,186.00	\$ 22,186.00	\$ 2.00				
4.02 Riser Work	\$ 1,200.00	\$ 1,200.00	\$ 0.11				
4.03 Wireless Network			\$ -				
4.03 Phone System			\$ -				
4.04 Network Move	\$ 5,000.00	\$ 5,000.00	\$ 0.45				
4.05 SUBTOTAL	\$ 28,386.00	\$ 28,386.00	\$ -	\$ 2.56	\$ -	\$ -	
5 EQUIPMENT							
5.01 Security System	\$ 6,500.00	\$ 6,500.00	\$ 0.59				
5.02 Audiovisual	\$ 50,000.00	\$ 50,000.00	\$ 4.51				
5.03 Sound Masking	\$ 11,093.00	\$ 11,093.00	\$ 1.00				
5.04 Satellite/Cable Installation			\$ -				
5.05 Copy Service			\$ -				
5.06 SUBTOTAL	\$ 67,593.00	\$ 67,593.00	\$ -	\$ 6.09	\$ -	\$ -	
6 MOVE							
6.01 Contents & Limited Furniture Move	\$ 10,000.00	\$ 10,000.00	\$ 0.90				
6.02 Furniture Relocation	\$ 10,000.00	\$ 10,000.00	\$ 0.90				
6.03 Post Move Smooth Set Crew	\$ 500.00	\$ 500.00	\$ 0.05				
6.04 Other Move Requirements			\$ -				
6.05 SUBTOTAL	\$ 20,500.00	\$ 20,500.00	\$ -	\$ 1.85	\$ -	\$ -	
SUBTOTAL CONSTRUCTION & TI ITEMS	\$ 566,216.79	\$ 566,216.79	\$ -	\$ 51.04	\$ -	\$ -	

FURNITURE & MISCELLANEOUS FF&E							
7 FURNITURE							
7.01 Workstations	\$ 220,000.00	\$ 220,000.00	\$ 19.83				55 workstations at \$4,000
7.02 Private Offices	\$ 65,000.00	\$ 30,000.00	\$ 5.86				6 new offices at \$5,000 and 7 reuse
7.03 Conference Rooms	\$ 30,000.00	\$ 10,000.00	\$ 2.70				Conference (new), Board (reuse)
7.04 Other Miscellaneous Furniture	\$ 5,000.00		\$ 0.45				and Huddle (new)
7.05 Task Chairs	\$ 45,500.00		\$ 4.10				Break
7.06 Storage	\$ 5,000.00		\$ 0.45				70 seats
7.07 Design, delivery, installation, tax	\$ 37,050.00	\$ 25,000.00	\$ 3.34				
7.08 SUBTOTAL	\$ 407,550.00	\$ 285,000.00	\$ -	\$ 36.74	\$ -	\$ -	
8 MISCELLANEOUS FF&E							
8.01 Plants			\$ -				
8.02 Artwork	\$ 5,000.00	\$ 5,000.00	\$ 0.45				
8.03 Exterior Signage			\$ -				
8.04 Interior Signage	\$ 5,000.00	\$ 5,000.00	\$ 0.45				
8.05 SUBTOTAL	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 0.90	\$ -	\$ -	
SUBTOTAL FURNITURE & OTHER FF&E	\$ 417,550.00	\$ 295,000.00	\$ -	\$ 37.64	\$ -	\$ -	

TOTAL COST	\$ 983,766.79	\$ 862,216.79	\$ -	\$ 88.68	\$ -	\$ -	
CONTINGENCY	\$ 49,188.34	\$ 43,110.84	\$ -	\$ 4.43			5% Contingency
TENANT IMPROVEMENT ALLOWANCE	\$ (499,185.00)	\$ (499,185.00)	\$ (499,185.00)	\$ (45.00)			
ESTIMATED TENANT CONTRIBUTION	\$ 533,770.13	\$ 406,142.63	\$ (499,185.00)	\$ 48.12			





**Call JLL to help with your
project budget estimates!**



Section **4**

Additional Provisions



Parking

- Exclusive vs. Non-Exclusive
- Secured Parking for State Vehicles
- Who Pays
- State Restrictions on payment of parking

Exclusive



Non-Exclusive



Signage

- Types
 - Exterior signage
 - Suite signage
 - Lobby Directory
- Signage Approvals
 - Landlord / City
- Who pays



Renewal Option

- Market rents vs. fixed rents



Rights of First Refusal

- One-time Right of First Refusal
- Continuous Right of First Refusal
- Notice Provision by Landlord
- Required response time by Tenant

Landlord Lease Incentives

- Moving allowance
- Abated rent
- FF&E



Refurbishment Allowance

- Items designated for refurbishment
- Required building upgrades by Landlord
- Potential credits for any unused portion of the refurbishment allowance



Vacating of Premises

- Landlord requirements
- Data / Cabling
- Broom Clean Condition



Section *5*

SNDA
&
Estoppel



“SNDA” Subordination and Non-Disturbance Agreement

- Agreement between Tenant and Landlord’s Lender(s) (current and future) designed to protect Tenant if Landlord defaults on the loan and lender forecloses on Building
- RISK: Lender forecloses, can “reject” any lease in the Building with 30 days’ notice.
- More of a concern in a weak leasing market – Landlord has higher risk of default.
- Not always attainable – (usually larger tenants and longer term leases where more negotiating coverage exists).
- Landlord obligation versus commercially reasonable efforts.

Estoppel Certificates

- Landlord generated “confirmation” of the terms of the Lease in place.
- Required any time Landlord sells or refinances the Building.
- Landlords are notoriously inaccurate and incomplete in drafting estoppels (prepared by property managers).
- Tenant only has obligation to sign if Lease requires it.
- Careful review is critical to avoid confusion regarding the applicable Lease terms.
- Responding is generally a best practice from a Landlord / Tenant relationship standpoint.
- Only certify accurate statements!



Common Estoppel Certificates

- The Lease is in full force and effect;
- Amount of space leased;
- The Lease is unmodified;
- Any unfulfilled obligations by Tenant or Landlord;
- Any outstanding events of default (by either Party);
- Dates up to which rent has been paid;
- Existence of any security deposits (State does not typically supply security deposits);
- Notice addresses and contact information;
- Don't forget – An Estoppel is a legal certification from Tenant to Landlord; accuracy is critical!

Estoppel Tenant Sample Letter

(Requesting Party's address)

Gentlemen:

The undersigned, a Tenant at _____, hereby confirms and represents the following:

1. That it has accepted possession of the Premises demised pursuant to the terms of a Lease dated (Date of Lease) between (Name of Landlord) as Landlord, and (Name of Tenant), as Tenant (the "Lease").
2. That the current Monthly Rent is (\$amount of rent) and real estate tax exemption, if any, is (amount of exemption/RSF).
3. That the Building, improvements and space required to be furnished in accordance with the Lease have been satisfactorily completed in all respects (except for latent defects not disclosed through normal inspection).
4. That, insofar as Tenant currently has knowledge, the Landlord has fulfilled all of its duties of an inducement nature, and is not in default in any manner in the performance of any of the terms, covenants or provisions of said Lease.
5. That the aforesaid Lease has not been modified, altered or amended except as follows: (Any alterations to Lease).
6. That said Monthly Rent commenced on (Lease Commencement Date) and the initial Lease Term expires (Date of expiration).
7. That Tenant has no notice of any assignment, hypothecation or pledge of rents of said Lease.

Sincerely,

(Department signature)

Section *6*

Commission Sharing



Commission Sharing Definitions

Commissions

As a part of most real estate lease and purchase transactions, a commission is paid to the broker or brokers involved by the Landlord or Seller (we will focus on lease transactions). In return for the service of representing the State of Colorado, JLL and Quantum Commercial Group (QCG) are due a commission from the Landlord upon the completion of a transaction.

Commission Credit

As a part of JLL and Quantum Commercial's contract with the State of Colorado, JLL / QCG credit 30% of the Landlord paid commission back to the Agency being represented for that Agency's use. The Credit is held by the Landlord and the Agency directs its use.

The amount of the Credit and details of how is to be applied are detailed in the State Lease document prior to execution.

Tenant Applications

Rent Credit

This is the most common use of the Commission Credit. The Agency can specify in the lease that the credit will be applied towards rent owed under the lease. Usually the credit is applied toward the first month or month(s) of the lease.

Furniture, Fixtures and Equipment (FF&E) and / or Tenant Improvements (TI's)

In some cases as a part of a lease, the Tenant may need money for FF&E and / or TI. The Credit can be applied towards these items.

Section **7**

Market Overview



Metro Denver Market overview



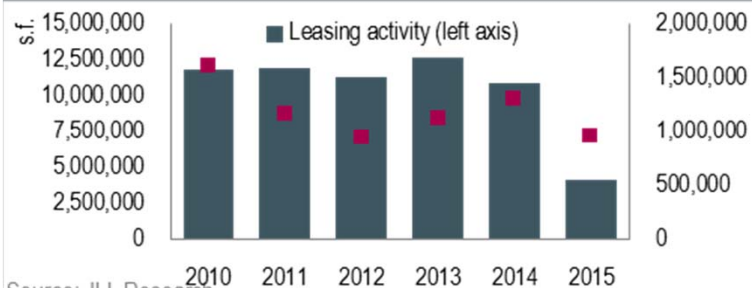
Square footage under construction market-wide

3,120,372 s.f.

under construction in Q2, up 130% year-over-year

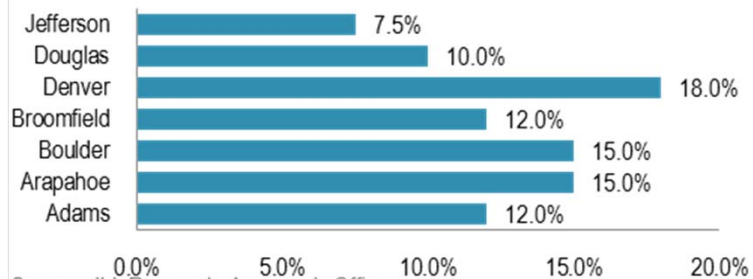
Source: JLL Research

Available sublease space versus leasing activity

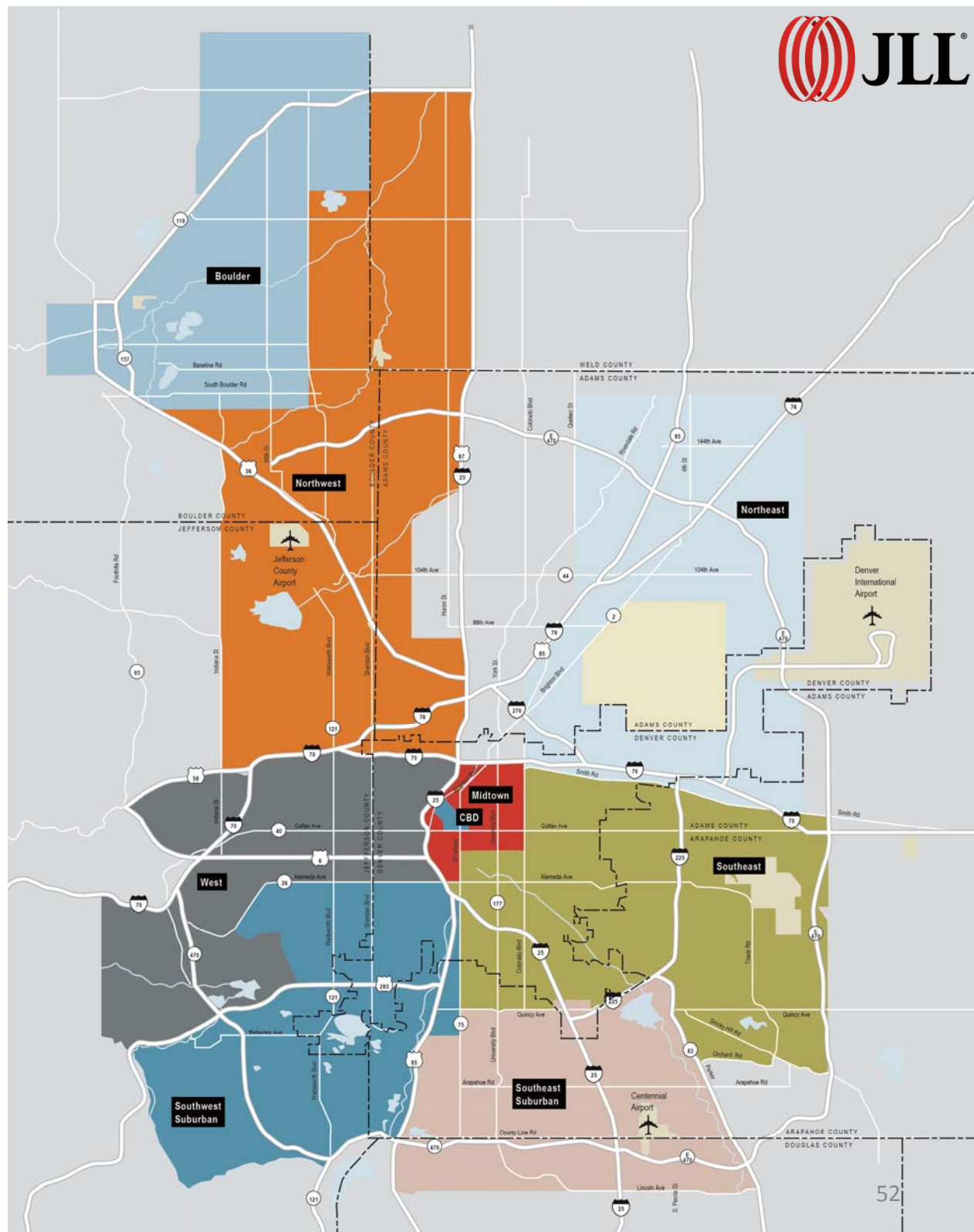


Source: JLL Research

Movement in commercial property values: 2012 to 2014



Source: JLL Research, Assessor's Office



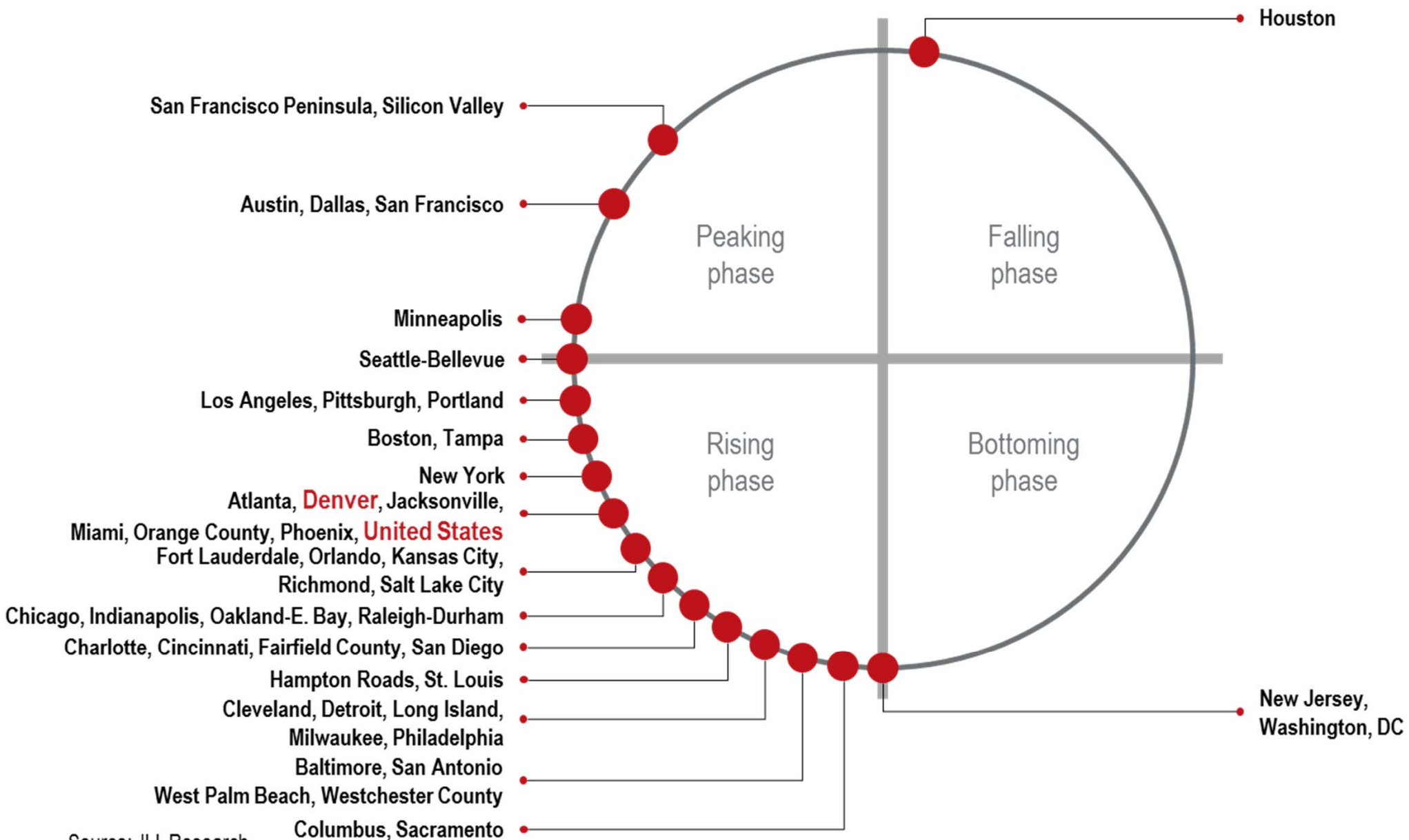
Q2 – 2015 Market Statistics



106,252,119 Total inventory (s.f.)	803,461 Q2 2015 net absorption (s.f.)	\$24.37 Direct average asking rent	3,120,372 Total under construction (s.f.)
13.4% Total vacancy	829,801 YTD net absorption (s.f.)	2.0% 12-month rent growth	28.2% Total preleased

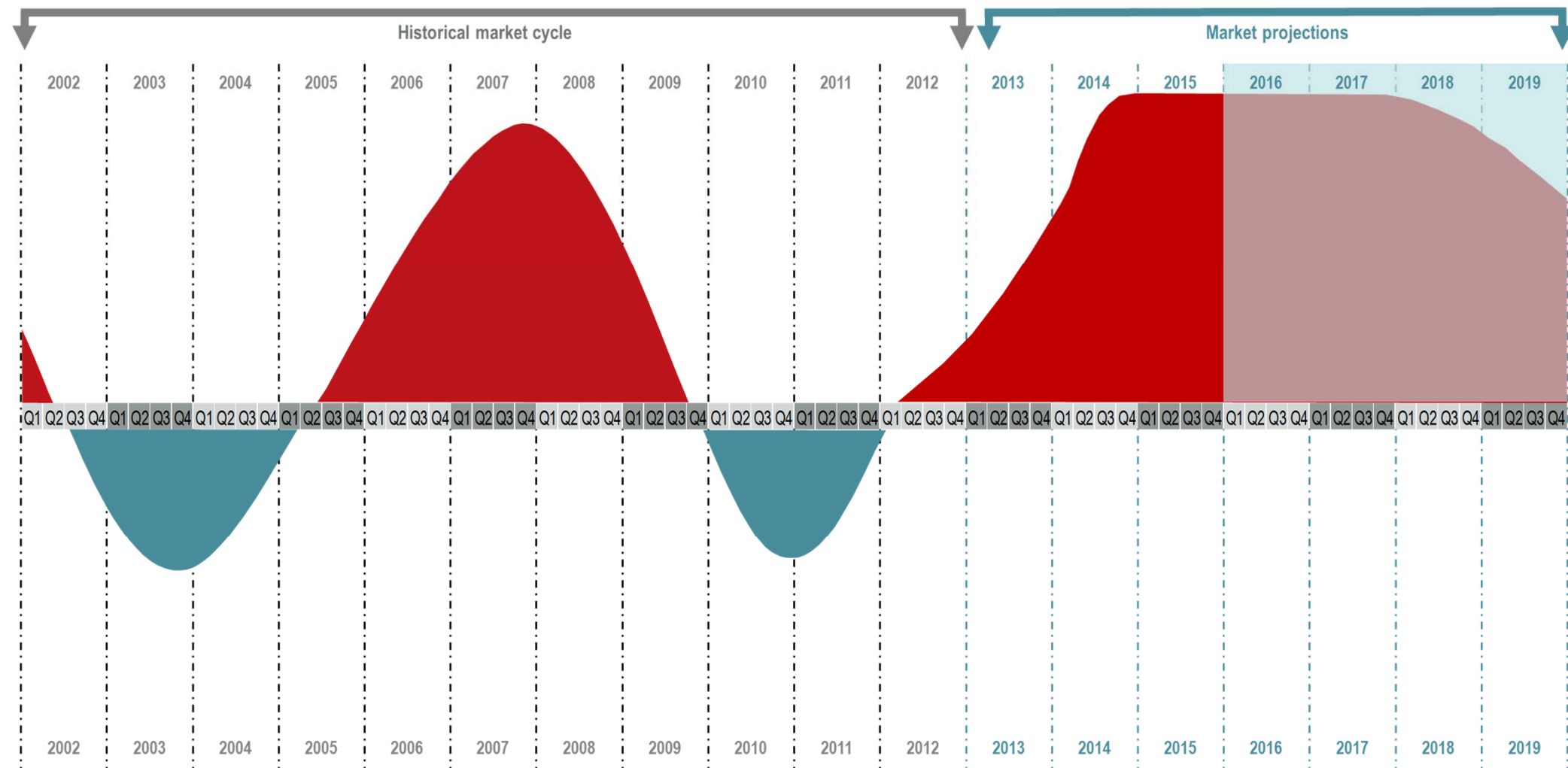
	Class	Inventory (s.f.)	Total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (%) of stock	Direct vacancy (%)	Total vacancy (%)	Average direct asking rent (\$ p.s.f.)	YTD completions (s.f.)	Under construction (s.f.)
LoDo	Totals	5,096,868	56,254	143,094	2.8%	7.2%	7.3%	\$36.79	0	936,404
West CBD	Totals	6,873,564	47,070	97,227	1.4%	8.3%	9.3%	\$33.83	0	951,444
Midtown CBD	Totals	10,631,530	-31,522	-18,996	-0.2%	13.7%	14.9%	\$33.21	0	0
Uptown/East Side	Totals	5,009,794	-82,728	24,508	0.5%	10.7%	14.2%	\$27.86	0	0
CBD	Totals	27,611,756	-10,926	245,833	0.9%	10.6%	12.0%	\$32.80	0	1,887,848
Boulder	Totals	5,581,763	56,513	37,482	0.7%	6.0%	6.5%	\$26.19	0	281,271
Midtown	Totals	3,374,694	-2,693	29,504	0.9%	4.9%	5.3%	\$23.79	0	153,678
North I-25	Totals	2,432,446	14,385	11,996	0.5%	21.2%	22.6%	\$19.21	0	0
Northeast	Totals	1,257,088	80,568	13,624	1.1%	18.9%	18.9%	\$19.19	0	0
Northwest	Totals	8,006,733	32,308	13,351	0.2%	12.1%	13.7%	\$24.37	0	105,288
Southeast	Totals	16,718,970	115,202	229,370	1.4%	13.6%	13.9%	\$20.09	147,938	100,000
Southeast Suburban	Totals	29,949,214	453,232	193,070	0.6%	12.8%	13.6%	\$23.99	0	592,287
Southwest Suburban	Totals	3,872,118	-13,594	-14,542	-0.4%	20.3%	20.3%	\$17.13	0	0
West	Totals	7,447,337	78,466	70,113	0.9%	17.0%	18.1%	\$20.80	0	0
Suburbs	Totals	78,640,363	814,387	583,968	0.7%	13.2%	13.9%	\$21.98	147,938	1,232,524
Denver	Totals	106,252,119	803,461	829,801	0.8%	12.5%	13.4%	\$24.37	147,938	3,120,372

Q2 – 2015 US Market Overall Office Clock



Source: JLL Research

Market Cycle



Note: The above graph is not based upon empirical data; rather it depicts Jones Lang LaSalle's anecdotal sense of Denver's office market, and as such, should serve as a discussion support piece only.

- Landlord-favorable market = Lowest tenant leverage
- Tenant-favorable market = Best tenant leverage

Lodo Development Map



Residential Development

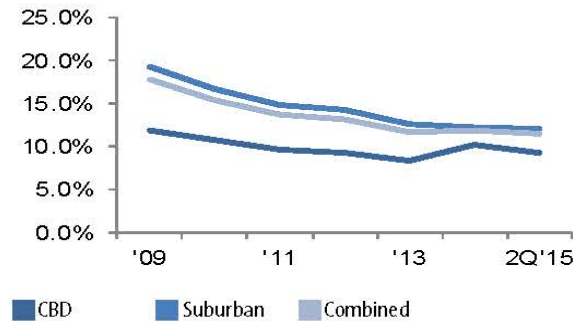
#	Development	Developer	Status	Planned Use	# of Units
1	AMLI Riverfront	AMLI Residential	Completed — July 2014	For rent	242 units
2	Riverfront Parcel 6	AMLI Residential	Planned	For rent	TBD
3	The Confluence	PM Realty Group	Delivery — Q3 2016	For rent	288 units
4	Residencas @ Prospekt Park	Edward Companies	Delivery — Summer 2015	For rent	296 units
5	Alta City House	East West Partners / Wood Partners	Delivery — Q2 2015	For rent	280 units
6	18th & Chestnut	Shorenstein	Planned	For rent	TBD
7	Balfour @ Riverfront Park	Balfour Senior Living	Completed — Jan 2015	For rent	204 units
8	2100 Delgany	Mill Creek Residential	Under construction	For rent	187 units
9	Elan @ Union Station	Greystar	Under construction	For rent	312 units
10	1975 18th Street (18th & Chestnut)	Integral Development	Planned	For rent	108 units
11	17W (17th & Wewatta)	Holland Partner Group	Planned	For rent	640 units
12	Cadenas Apartments	Zocalo Development	Completed — March 2014	For rent	220 units
13	18th & Wewatta	Greystar	Planned	For rent	TBD
14	The Platform @ Union Station	Holland Partner Group	Under construction	For rent	288 units
15	Verve (1490 Delgany)	The Opus Group	Completed — August 2014	For rent	284 units
16	1800 Market	Blackrock Realty	Planned	For rent	TBD

Office / Mixed-Use Development

#	Development	Developer	Status	Planned Use	S.F.
17	18th Street LoHi	Mike Matheison	Planned	Office	125,000 s.f.
18	18th Street LoHi	Charley Woolley	Planned	Office	130,000 s.f.
19	The Lab on Platte	Brue Capital	Delivery — July 2015	Office	78,000 s.f.
20	Galvanize 2.0	Nichols Partnership	Delivery — May 2015	Office	76,000 s.f.
21	Lodo Self Storage	Focus Property Group	For sale	Hotel	TBD
22	16 Chestnut	East West Partners	Planned	Office	320,000 s.f.
23	1801 Wewatta	Portman	Delivery — Q3 2016	Mixed-use	200,000 s.f.
24	1601 Wewatta	Hines / Jordan Perlmutter	Delivery — Sept 2015	Office	299,534 s.f.
25	Superblock B	Continuum Partners	Planned	Mixed-use	360,000 s.f.
26	Superblock A - 1881 18th Street	Continuum / Kimpton	Delivery — Jan 2017	Mixed-use	138,000 s.f.
27	Triangle Building	East West Partners	Delivery — Sept 2015	Office	230,000 s.f.
28	19th & Wazee	Colorado Rockies	None	TBD	TBD
29	Z Block (formerly Block 22)	Grand American / McWhinney / Sage	Delivery — Dec 2017	Mixed-use	220,000 s.f.
30	18th & Market	Blacker, LLC	None	TBD	TBD
31	1401 18th Street	Continuum	Planned	Mixed-use	TBD
32	16M	Elevation Development Group	Completed — Sept 2014	Office	185,000 s.f.
33	Two Tabor Center	Callahan Capital Partners	Planned	Office	625,000 s.f.
34	1401 Lawrence	First Gulf	Delivery — June 2016	Office	290,000 s.f.
35	1144 Fifteenth (15th & Lawrence)	Hines	Delivery — Jan 2018	Office	640,000 s.f.
36	Pepsi Center Office Project	Kroenke / Bruce Scott	Planned	Office	300,000 s.f.

Colorado Springs Market overview

Vacancy Rates

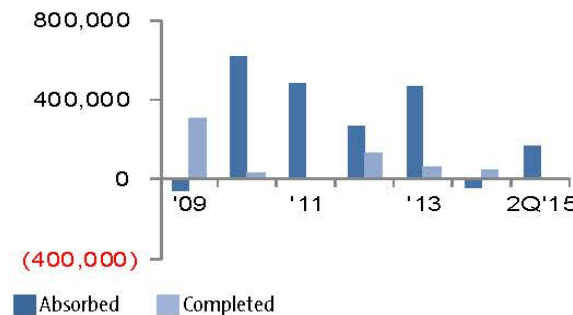


Colorado Springs office market sees another positive quarter in 2015.

Overall Absorption and Vacancy: Net absorption for the overall Colorado Springs office market was positive 80,165 square feet in the second quarter 2015 and positive 96,165 square feet in the first quarter 2015 for a year-to-date total of 176,330 square feet. By comparison the total net absorption was negative 25,571 for 2014. We expect to see more positive absorption in the remainder of 2015 and into 2016. The office vacancy rate in the Colorado Springs market area decreased to 11.6% at the end of the second quarter 2015, down from 12.2% at the end of the fourth quarter 2014. The vacancy rate has followed absorption closely and will continue to do so with limited new space being developed in the near term.

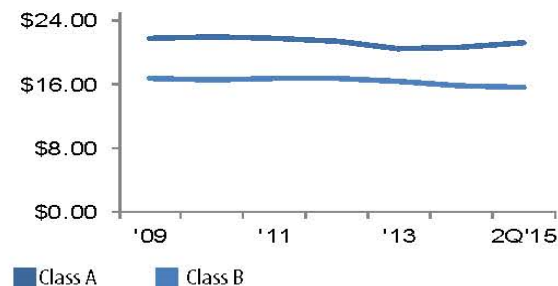
Completions vs. Absorption

Year-to-Date



Asking Rental Rates

(\$/SF/Yr. Full Service)



Source: CoStar

Medical Market: Though not yet fully reflected in our numbers, the amount of square footage being constructed and acquired for the new corporate structure of medicine is certainly noteworthy. Regional, national and global corporations like Centura, Davita, and UC Health are making a significant impact in the local medical office market. The evolving dynamic of how medical practices will be obtained and managed will change the current model of medical office property acquisitions. Significant land and building purchases from the above listed medical corporations among others, will change the market fundamentals in this sector. In addition, large development companies such as Boldt have expanded in the market and are cooperatively working with groups like the YMCA to create a hybridized wellness facility incorporating preventative medicine techniques through fitness and diet as well as mainstream medical treatment facilities and urgent care centers in the same building. Medical REITs like HRT are implementing their business models by acquiring properties located within or near hospitals. This rapidly changing landscape is having a positive effect on office market indicators like absorption, vacancy rates and lease rates which is likely to continue into the foreseeable future.

Forecast: Continued steady, moderate growth is expected for 2015. We expect slow growth in lease rates and absorption in the near term with stronger growth in the next couple of years. The addition of new jobs is what is needed to fuel positive absorption and occupancy rates.

Colorado Springs Market overview

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
CBD	112	3,524,933	312,564	312,864	8.9%	35,581	0	0	\$20.29
Greater CBD	330	2,572,593	254,758	254,758	9.9%	15,935	0	0	\$14.33
North	187	2,580,418	311,471	322,954	12.5%	67,063	0	0	\$14.45
Northeast	298	8,039,167	830,680	844,266	10.5%	101,139	0	0	\$16.82
Northwest	234	4,939,911	779,743	779,743	15.8%	(28,207)	0	0	\$17.47
Southeast	328	5,086,331	598,212	625,399	12.3%	(21,926)	0	0	\$15.81
Southwest	148	1,278,494	110,208	110,208	8.6%	(1,440)	0	0	\$11.69
Teller County	77	360,931	29,717	29,717	8.2%	8,185	0	0	\$11.25
Totals	1,714	28,382,778	3,227,353	3,279,909	11.6%	176,330	0	0	\$16.37

Market	# Blds	Total SF	Direct Vacant	Total Vacant	Vacant %	YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
Class A	48	5,499,595	555,267	566,878	10.3%	41,724	0	0	\$21.38
Class B	938	18,848,510	2,376,340	2,417,285	12.8%	80,170	0	0	\$15.94
Class C	728	4,034,673	295,746	295,746	7.3%	54,436	0	0	\$10.99
Totals	1,714	28,382,778	3,227,353	3,279,909	11.6%	176,330	0	0	\$16.37



KEY TRANSACTIONS

** Transaction Represented by Quantum Commercial Group*

Value Options
leased
20,105 SF
at Patriot at Interquest I
9925 Federal Drive
Colorado Springs, CO

Playdate, Inc.*
purchased
20,075 SF
at 6040 & 6050 Erin Park Drive
Colorado Springs, CO
from
Jerlad M. Barnet Revocable Trust

I-Mortgage*
leased
6,000 SF
at
1150 Kelly Johnson Blvd
Colorado Springs, CO

Section *8* Appendix





RE 101

Real Estate 101

State of Colorado
July 2015