

**56.820 Construction on state-owned land under built-to-suit lease agreements --
Leases without conveyance of title -- Buildings located in Fayette County.**

- (1) This section shall apply when the built-to-suit process involves the construction of a building on state-owned land.
- (2) Upon the execution of a lease awarded under this section, the Commonwealth shall convey to the individual or firm to whom such lease has been awarded, in fee simple with covenant of general warranty of title, the real estate upon which the building is to be constructed under this lease. The lease shall provide for an initial lease term commencing on the date the building is accepted for occupancy by the Commonwealth, but not later than thirty (30) days after the owner's architect has certified that construction of the building has been completed, and ending June 30 of the second year of the then current fiscal biennium of the Commonwealth, with an option in the Commonwealth, as lessee, to extend the term of the lease for a term of two (2) years from the expiration of the original term of the lease and for two (2) years from the expiration of each extended term of the lease, until the original term of the lease has been extended for a total number of years to be agreed upon by the parties at a rental which, if paid for the original term and for each of the full number of years for which the term of the lease may be extended, will amortize the total cost of the erection of the building and appurtenances. The rent shall be paid at such times as the parties to the lease agreed upon. The lease shall provide that the lessee may, at the expiration of the original or any extended term, purchase the leased premises at a stated price, which shall be the balance of the total cost of erection of the building and appurtenances not amortized by the payments of rent previously made by the lessee. The lease shall provide that in the event of the exercise of the option to purchase the leased premises or in the event the lease has been extended for the full number of years which it is agreed the same may be extended, and all rents and payments provided for in the lease have been made, the lessor shall convey the premises to the lessee in fee simple with covenant of general warranty of title. The lease may provide that the lessee shall, as additional rent for the leased premises, pay all taxes assessed against the leased premises, and the cost of insuring the building erected thereon against loss or damage by fire and windstorm in such sum as may be agreed by the parties thereto.
- (3) For buildings located in Fayette County, the commissioner of the Department for Facilities Management on behalf of the Department for Military Affairs may award a built-to-suit lease for built-to-suit projects without the conveyance of title required in subsection (2) of this section. Any lease agreement under this subsection shall be awarded in accordance with the provisions of KRS Chapter 45A. The provisions of KRS 56.8163, 56.8165, 56.8167, 56.8169, 56.8171, and 56.8173 shall not apply to built-to-suit leases awarded under this subsection. Any lease agreement established under this subsection shall provide that title to all improvements shall vest in the Commonwealth upon completion of the term of the lease.
- (4) For buildings located in Fayette County procured pursuant to this section and leased from the Commonwealth by an agency of the federal government, the following provisions shall apply:

- (a) Notwithstanding KRS 56.813(2) to the contrary, the secretary of the Finance and Administration Cabinet, on behalf of the Department of Military Affairs, may approve modifications to existing buildings if the source of the payments by the Department of Military Affairs for the improvements are made through an agreement with an agency of the United States government, or through an increase in the term of the lease, provided that the improvements are procured by the Department of Military Affairs pursuant to the provisions of KRS Chapter 45A; and
- (b) Any lease modification approved by the secretary of the Finance and Administration Cabinet pursuant to this subsection shall be reported by the cabinet to the Legislative Research Commission for referral to an appropriate legislative committee within thirty (30) days of the execution of the lease modification.

Effective: April 2, 2014

History: Amended 2014 Ky. Acts ch. 15, sec. 2, effective April 2, 2014. -- Amended 2013 Ky. Acts ch. 32, sec. 158, effective March 19, 2013. -- Amended 1992 Ky. Acts ch. 54, sec. 9, effective July 14, 1992. -- Created 1978 Ky. Acts ch. 231, sec. 11, effective June 17, 1978.